

**STATE LANDS COMMISSION STAFF'S 60-DAY RESPONSE TO THE
BUREAU OF STATE AUDIT'S REPORT: 2010-125**

Chapter 1 Recommendations

A. To ensure that it manages delinquent leases in an effective and timely manner and collects all the amounts owed to it, the commission should do the following:

1. Determine the amount of past-due rent that should be included in its accounts receivable account.

8/11 Response - Staff is aware of past due amounts maintained in its receivable accounts. The report describes \$1.2 million in past due rents as of December 31, 2010. The correct amount of past due revenue receivables reported to the auditor was \$209,389.27 for 210 invoices. Of these, 146 invoices for \$121,433.68 were in excess of 180 days, delinquent as defined by the State Controller's standards. Other invoices included in the total reported past due amount include contingent receivables. These are invoices for which there is some question as to their validity, usually boundary or jurisdiction related. These totaled \$484,189.30 and are purposefully kept, as prescribed by State procedures, in a separate account due to their contingent nature. The remainder of the amount asserted as past due were invoices that were not yet due, based on their actual due dates.

Additionally, Table 1 asserts that the Commission has "lost" \$1,616,936 in delinquent rents. It is unclear how it relates to the \$1.2 million above. Regarding those accounts, the table includes 4 leases to AERA that are to be quitclaimed representing \$501,223. These are pipeline leases associated with the "Molino" lease in the Santa Barbara Channel. While the oil & gas lease was quitclaimed in 1997, these associated pipeline leases were not similarly processed by staff and will be closed out as of that same date. While this does illustrate a process failure, the associated revenues are not valid and should not be considered "lost" due to their not being collected. All 4 accounts have been placed in Contingent Receivables pending completion of the transaction. Also, Ramos Oil Company and Ship A Shore have both been placed into Contingent Receivables until outstanding issues are resolved.

10/24/11 update – Commission staff has proofed the outstanding receivables accounts noted in the report and continues to disagree with the conclusions in the report regarding the magnitude of past due accounts. We do acknowledge that there was

confusion between the auditor assigned and Accounting staff in the questions that were being asked and the methodology the auditor used to extract the information in determining which invoices were past due; the most significant being the use of the date the invoice was input into CALSTARS to determine past due, rather than the actual due date specified on the invoice and in the lease. Accounting staff has refined the reports and information it extracts from CALSTARS in monthly reports to provide more succinct date information for determining past due invoices. Staff is also working with Legal to provide better documentation when invoices are placed in Contingent Receivables due to disputes or litigation. See Exhibit A*.

2. Develop and adhere to policies and procedures that incorporate the administrative manual's guidance, including the steps staff should take when a lessee is delinquent, time standards for performing those steps, and a process for consistently tracking the status of delinquent leases between divisions.

8/11 Response - Commission staff agrees and has already begun taking measures to implement this recommendation. While accounting procedures for 30, 60, and 90-day dunning letters are in place, there is a recognized need to better coordinate between Accounting, Land Management and Legal in disposition of delinquent leases should those initial steps fail.

10/24/11 Update – A process has been developed and will be in place by November 1 to address lease compliance issues and specifically coordinate actions regarding delinquent leases. The process involves review of delinquent accounts by senior management meeting on a regular basis to determine the course of action to be taken up to and including litigation and possible ejectment. See Exhibit B*.

3. Conduct and document cost-benefit analyses when it contemplates either referring a delinquent lessee to the attorney general or pursuing the delinquent lessee through other means.

8/11 Response - While no formal written process exists, Commission staff conducts an extensive, informal cost-benefit analysis, including consideration of statewide policy implications, through coordination with senior management, the Executive Officer and the Attorney General's Office, when deciding whether to recommend pursuing litigation to the Commission

10/24/11 Update – All delinquent accounts will be evaluated as part of the Lease Compliance process and will ensure cost/benefit considerations in such documentation of decisions regarding enforcement are referenced in the lease file. Also see response to A (2), above.

- B. When the commission determines that it will pursue delinquent lessees itself, it should use a collection agency or a program such as the Franchise Tax Board's Interagency Intercept Collections Program.

8/11 Response - Commission currently does not have the authority to request a taxpayer ID from individuals, which is necessary for participation in the intercept program. As it expands to include Employer ID for businesses, this may become an option. Staff will continue to explore better ways to pursue delinquent accounts including possible legislation or regulation to allow collection of such information.

10/24/11 Update – Staff has contacted Franchise Tax Board staff regarding use of collection agencies and, based on their guidance, is currently conducting an analysis of authorities the Commission currently has and determining whether additional regulations or legislation is needed to authorize such use. Additionally, staff counsel has been assigned to investigate the authority of the Commission to require social security numbers from lessees, which are necessary for participation in the intercept program. Staff did find evidence of a prior legal opinion that concluded the Commission did not have such authority.

- C. To ensure that as few leases as possible go into holdover, the commission should do the following:

1. Continue to implement its newly established holdover reduction procedures and periodically evaluate whether its new procedures are having their intended effect of reducing the number of leases in holdover.

8/11 Response- Commission staff agrees and has already implemented this recommendation.

10/24/11 Update –The Bureau's report states that the new holdover procedures "appear reasonable [however], because the commission only recently implemented them, we were unable at the time of our audit fieldwork to determine whether they would be effective." Since November 2010, staff has continued to build upon its holdover reduction process. In March 2011, staff: (1) finalized the language for the holdover notification letters for both significant and routine leases as laid out in its holdover reduction procedure; (2) finalized language and formalized the practice of including a provision in the more significant leases that the lessee provide a 2-year lease renewal notification; and (3) finalized the holdover checklist, which identifies the steps and timeframes to be followed by staff. LMD management also continues to hold monthly meetings to discuss the status of holdovers and those leases assigned to

contingent receivables. All of these items were discussed in the November 2010 holdover reduction procedures. As was detailed in the Commission staff's August response to the Bureau's report, in August 2010 there were 32 leases in holdover status with annual rent greater than \$10,000. As of today, 24 of these 32 holdover leases (75 percent) have been eliminated with only 8 leases remaining in holdover status with annual rent greater than \$10,000. One lease (Selby Slag) involves an ongoing environmental clean-up obligation and will remain in its holdover status indefinitely. Another lease (Chevron Estero) is in non-operational caretaker status and should be taken off the holdover list once a determination is made as to its final disposition. Four of the remaining six are expected to go to the Commission for consideration in the next eight months. The GP Gypsum lease is scheduled to be considered by the Commission at its October 27, 2011 meeting. The PG&E pipeline master lease is expected to be considered by the Commission in December 2011, and the NuStar Marine Oil Terminal is expected to be considered in early 2012. The Kinder Morgan pipeline master lease is expected to be considered by the Commission in mid-2012. Staff recently received the applications for the two Tesoro marine oil terminals. With the environmental review and compliance with CEQA required to process these applications, it will likely be a few years before these leases can be considered by the Commission. However, rent reviews were conducted in June 2011 and rent rates and payments are up to date for those two leases. See Exhibits C, D, and E.

2. Consistently assess the 25 percent penalty on expired leases.

8/11 Response - Commission staff agrees and has already implemented this recommendation.

10/24/11 Update – Application of the 25 percent increase adjustment has been incorporated in the Holdover process mentioned in the above section.

- D. To complete its rent reviews promptly and obtain a fair rental amount for its leases, the commission should do the following:

1. Consistently notify lessees of impending rent reviews or rental increases within established timelines.

8/11 Response - Commission staff agrees with this recommendation. However, in triaging the total lease workload, a prioritization approach has been implemented for high revenue-generating leases. Additional review and increases could be implemented with additional staff.

10/24/11 Update – Commission staff has continued to develop and refine its rent review process. In late 2010, leases due for rent reviews began being pulled one year in advance as opposed to 9 months in advance. In April 2011, the rent review checklist, which identifies steps and timeframes for staff to adhere to, was updated. These changes have been effective in helping staff complete rent reviews in a timely fashion. Additional staffing has also been requested to accommodate this workload. See Exhibits F, G and N*.

2. Establish time standards for each step of the rent review process and ensure that all staff adheres to those time standards.

8/11 Response - Commission staff will explore this recommendation. Staff has already prioritized the rent review process for high revenue-generating leases.

10/24/11 update – As noted in section D (1) above, such process is now in place. See also Exhibit H.

3. Develop a methodology for prioritizing its workload that focuses its staff on managing the higher revenue-generating leases until such time as it addresses its workload needs.

8/11 Response - Commission staff agrees and has already implemented this recommendation.

10/24/11 Update – LMD management has been prioritizing its workload with an emphasis on high value and significant leases. This started with the Holdover Reduction Plan in April 2010, was refined with the Holdover Reduction Procedure in November 2010 and has continued to be expanded and refined with all the additional actions already described in responses above (see response to C (1)). LMD management also continues to hold monthly holdover reduction meetings aimed at reducing the total number of leases already in holdover and preventing existing leases from going into holdover, with an emphasis in both cases on high value leases. While high-value holdovers, long-term holdovers and contingent receivables are the primary focus, these meetings are not restricted to these categories, but rather discuss all holdovers. Evidence of the success is clear by the reduction of high-value holdovers noted in the Commission's audit response from 32 to 8. See Exhibit I

4. Conduct rent reviews on each fifth anniversary as specified in the lease agreements or consider including provisions in its leases that allow for the use of other strategies, such as adjusting rents annually using an inflation indicator.

8/11 Response - Commission staff agrees with this recommendation and will be exploring alternatives that are manageable with existing staff resources available.

10/24/11 Update - Staff continues to move forward with a more expanded use of the consumer price index (CPI) in calculating annual rent revisions. Staff has been and will continue to recommend to the Commission the use of the CPI annually in most high-value commercial use, industrial use, and right-of-way use leases. Staff is also exploring the use of the CPI in lower value leases to assist in streamlining the rent review process. This does not obviate the need for additional staffing, which has also been requested to ensure that 5-year rent reviews and appraisals are completed on schedule.

- E. To ensure that it receives rent from the lessee that reflects the approximate value for the State's property at those times when a lessee disputes a modification to the rental amount after the commission exercises its right to perform a rent review or because the lease expired, the commission should include in its lease agreements a provision that requires lessees to pay the commission's proposed increased rental amount, which would be deposited into an account within the Special Deposit Fund. The increased rental amounts deposited, plus the corresponding interest accrued in the account, should then be liquidated in accordance with the amount agreed to in the final lease agreement.

8/11 Response - Commission staff is investigating this recommendation.

10/24/11 Update – In view of the other strategies implemented such as: 1) notifying lessee two years in advance, 2) the option of applying a new appraisal in holdover situations and 3) enforcing the 25% rental increase clause, the need to place revenues in a separate account should not be necessary.

- F. To ensure that it is charging rent based on the most current value of its properties, the commission should do the following:
 - 1. Appraise its properties as frequently as the lease provisions allow—generally every five years.

8/11 Response - Commission staff agrees with this recommendation as to those specific situations, such as high revenue-generating leases, where the benefits are likely to exceed the costs of preparing such an appraisal.

10/24/11 Update – Additional staff has been requested to ensure adequate resources are available to conduct appraisals on high value leases and ensure that 5-year rent reviews are completed on schedule. Staff is also exploring the use of the CPI in lower

value leases to assist in streamlining the rent review process to ensure adequate staff time is available for appraisals and rent reviews on higher value leases.

2. Use the sales comparison method when it establishes values for leases having the greatest revenue potential, and develop policies that specify when and how often it is appropriate to use the other methods of appraising properties. These policies should address the coordination of leasing staff with appraisal staff as part of the process for determining which appraisal method should be used.

8/11 Response - Commission staff agrees with this recommendation and is currently developing a procedure to implement this recommendation.

10/24/11 Update – The sales comparison approach is commonly used by appraisal staff to establish rent for high value/significant leases (leases having a rent potential of \$10,000 or more per year). LMD management has directed staff to request appraisals for all high value leases. These valuations are the most time consuming and combined with the current staffing of the appraisal unit (one person) are contributing reasons why other appraisals and 5-year rent reviews have been delayed. Additional staff has been requested to accommodate this workload.

- G. To ensure that it does not undervalue certain types of leases, the commission should do the following:

1. Amend its regulations for establishing pipeline rents on state land as staff recommended in the 2010 survey of methods used by agencies in other states to establish pipeline rents.

8/11 Response - Commission staff agrees with this recommendation and is awaiting input from this audit before moving forward with the extensive regulatory process to implement this change.

10/24/11 Update – Commission staff is moving forward with the regulatory process to thoroughly revise and update § 2003 of Title 2 of the California Code of regulations dealing with rent, including pipeline rents. Commission staff had delayed progress on this action in hopes that the Bureau's report would provide additional insight and recommendations, but the report only reiterated the information staff provided the Bureau based on staff's own research and analysis at the time as to how other states were establishing pipeline rents.

2. Implement and follow its plan to regularly update its benchmarks for determining rental amounts.

8/11 Response - Commission staff agrees and has already begun implementing this recommendation.

10/24/11 Update – Staff has updated and consolidated the San Francisco and Marin County Benchmarks (August 2011) and is progressing on the scheduled periodic updates of the other Benchmarks. See Exhibit J.

3. Periodically analyze whether collecting oil royalties in cash or in kind would maximize revenues to the State, and use that method to collect its oil royalties.

8/11 Response - Commission staff agrees with this recommendation. The report correctly describes the current practice of receiving its oil royalties in cash. This was a result of an analysis performed by staff from 2002 through 2005, and further supported by subsequent annual spreadsheet analyses of area oil sales supplied by a consultant. The staff analysis, and those subsequent annual reports, showed receiving royalty in crude oil in-kind and then selling the oil through sell-off contracts, was not in the State's best interest. The report, however, asserts that the current practice of receiving cash for royalty oil is based on the "outdated" analysis of 2002-2005 and may not maximize revenue. Although we agree that the analysis is a few years old, the factors and circumstances upon which those conclusions were based have not changed. We do agree however, as recommended in the report, that those previous conclusions should be periodically retested for confirmation. It should be noted that due to significant reductions to the General Fund-supported Mineral Management Division staff (which is tasked with monitoring and managing a program that generated over \$400,000,000 of non-tax revenue to the General Fund in 2010/11) the Commission no longer has the staff resources to accommodate a sell-off program. Should the circumstances indicate that such an effort would be favorable to the State, additional staff resources would be required.

10/24/11 Update – Conditions remain unchanged in Santa Barbara and Huntington Beach which are adverse to such strategy at this time. Staff has reviewed conditions in Santa Barbara and Huntington Beach and has determined little change from the previous analysis and noted if anything conditions are worse. A letter has been sent to the City of Long Beach, as State's trustee, regarding the possibility of selloff of that oil. They have responded that it would not be in the State's interest to do so and noted that such action may be a detriment to the State's net profits. See Exhibit K.

Chapter 2 Recommendations

- A. To improve its monitoring of leases, the commission should do the following:

1. Create and implement a policy, including provisions for supervisory review, to ensure that the information in ALID is complete, accurate, and consistently entered to allow for the retrieval of reliable lease information. To do so, the commission should consult another public lands leasing entity, such as General Services, to obtain best practices for a lease-tracking database.

8/11 Response - Commission staff agrees and has already implemented portions of this recommendation.

10/24/11 Update – Action has been taken to improve the accuracy and reliability of the data in the ALID system. Staff has been instructed to complete entry of all Commission actions into the system within 60 days of the meetings. All income-producing leases have been verified for data elements relating to rent amounts, rent review dates, lease term, and lease expiration dates. Non-income leases will be verified upon availability of staff to do so. A programmer has been assigned to work with LMD management to develop management reports and ad hoc reporting capability that will allow ready access to data in a form and format that will be useful for decision making. This should ameliorate the need for and use of local data sources. In addition to this, investigations have begun into the availability of off-the-shelf lease/asset management software packages, either commercially available or from other governmental agencies as suggested in the report, that could provide more extensive and flexible reporting and inquiry capabilities. See Exhibit L.

2. Require all of its divisions to use ALID as its one centralized lease-tracking database.

8/11 Response - The three divisions (Land Management, Accounting and Legal) involved in lease-tracking do use ALID. Staff recognizes that regular management reports from ALID need to be developed to reduce dependency on division lists and spreadsheets tracking similar information.

10/24/11 Update – Improved accuracy and enhanced reporting capabilities as a result of the steps noted above in section A (1) should reduce staff's need for multiple data sources.

- B. To adequately monitor its revenue-generating oil and gas leases, the commission should do the following:
 1. Track the recoveries and findings identified in its audits and use this information to develop an audit plan that would focus on leases that have historically generated the most revenue and recoveries for the State, as well as those that historically have had the most problems.

8/11 Response - Commission staff agrees with this recommendation. The report accurately points out the Commission staff's need to plan formalized and scheduled audits. However, it does not recognize that (in addition to responding to specific issues that arise and/or lease assignment audits) the approach used by Commission staff to select/choose potential audits has been risk-based. As such, Commission staff has been selective in assigning its limited resources to audits where identified potential substantial recoveries exist. "Developing" an audit plan could assist in a more structured approach to conducting audits. However, without addressing staffing requirements it is almost certain that Commission staff would not be able to implement any such plan.

10/24/11 Update – A comprehensive audit plan has been developed placing all mineral leases on a rotating audit schedule based on a combination of relevant factors. This proposed plan considers available staffing and will be severely truncated if no new staff resources are made available as indicated in the chart below. A full plan including all leases can only be implemented if adequate staff resources are available to carry out the work. See Exhibit M*.

Mineral Lease	Current Audit cycle (3 Auditors)	Proposed Audit cycle (7 Auditors)
Tidelands Oil Revenues: Long Beach Unit (LBU) & West Wilmington	LBU: 2 yr. period every other year w reduced scope West Wilmington: None	Yearly
High revenue generating oil and gas leases	Only as necessary for Lease Assignments or identified issues	Every 3 - 3 ½ years
LBU major capital investment projects & yearly oil price adjustments	None	Every 3 - 3 ½ years (For major projects, audit will cover multiyear project based costs)
Northern CA gas leases, low revenue generating oil, gas, solid minerals, dredging, geothermal	None - As needed for Lease Assignments or identified issues	Complete one cycle by 2015 and then determine future audit cycle based on risk
Commercial Leases	None – only most egregious high income if discrepancies identified	Perform risk assessment and determine schedule based on risk

2. Work with lessees that entered into a lease with the commission before 1977 to put in place a reasonable time period within which lessees must resolve other types of deduction claims similar to the regulations already in place for dehydration costs.

8/11 Response - Since 1977 Public Resources Code §6827 prohibits any deductions for treatment, dehydration, or transportation of royalty oil on new leases. Therefore, a regulation as recommended above is not necessary for new leases.

10/24/11 Update – Public Resources Code section 6108 authorizes the Commission to enact and enforce regulations. Additionally, under our current statutory authority, the Commission can amend its oil/gas leases with the lessee's consent. However, the

concern with the Commission's oil and gas leases is that most, if not all, leases contain language that requires the lessee to comply with the laws and regulations in effect at the time the lease/contract was entered into. Commission staff believes that there are strong arguments that promulgating lease regulations that may alter the terms of an existing valid contract may not be legally enforceable. However, should regulations be passed, and if the lessee was amenable, the oil/gas lease could be amended by the parties to the lease to state that the lessee must comply with all laws and regulations in effect at the time of the amendment. This opportunity arises and will be used whenever there is a transfer of ownership as a condition of the Commission accepting the transfer.

3. Explore and take advantage of other approaches to fulfill its auditing responsibilities, such as contracting with an outside consulting firm that could conduct some of its audits on a contingency basis.

8/11 Response - Commission staff agrees to further explore this recommendation. There are concerns regarding civil service rules involving contracting out as well as the use of contingency as the basis for payment in extending this practice beyond this isolated instance.

10/24/11 Update – The above referenced contract has just been awarded for this one-time unique circumstance. Staff is withholding consideration of this approach until completion of the project and a review of its effectiveness can be determined.

- C. The commission should establish a monitoring program to ensure that the funds generated from granted lands are expended in accordance with the public trust.

8/11 Response - Commission staff agrees with this recommendation, however, Commission staff currently lacks the staff resources necessary to establish and implement such a program. There are more than 300 statutes granting public trust lands to approximately 85 local governments throughout the State. These statutory trust grants include some of the State's most important major contributors to the local, state and national economies, including the Ports of Long Beach, Los Angeles, Oakland, San Francisco and San Diego. The Commission currently has one staff position assigned to overseeing the management of these state lands and revenues by these local entities.

10/24/11 Update – Staff agrees with the report's recommendation. However, due to the lack of resources, Commission staff has had to take a reactive approach to carrying out its oversight responsibilities by responding to allegations of improper use of lands and funds rather than proactively identifying and preventing misuse through periodic monitoring. Even in this reactive environment, Commission staff is unable to investigate all allegations. While staff is currently in the process of working with trustees to submit

their annual financial reports, as required by Public Resources Code §6306, in a format that readily identifies the trustee's trust fund and details its income and expenditures, the fact that the Commission still only has one dedicated staff position to review these reports, as well as process authorizations for expenditures of trust funds, review project proposals and respond to requests from trustees, the public and the Legislature concerning issues of appropriate uses of trust lands and revenues, prevents this program from functioning effectively. For example, staff have just been notified that one of the state's local trustees has failed to report its expenditures to the Legislature and the Commission for twenty years. This trustee previously was subject to annual audits by the Auditor General until that requirement was eliminated by the Legislature in 1980. Staff has submitted a request for staffing to restore the Commission's statutory trust grant compliance program, which will include implementing a monitoring program and developing and maintaining a close relationship with the trustees to help facilitate the appropriate management of these State trust lands and assets. See Exhibit O*.

- D. To ensure that all of its oil and gas leases have current surety bonds and liability insurance, as required by law and certain lease agreements, the commission should require lessees to provide documentation of their surety bonds and liability insurance. If the commission believes that assessing a monetary penalty will be effective in encouraging lessees to obtain surety bonds or liability insurance, it should seek legislation to provide this authority. Finally, if it obtains this authority, the commission should enforce it.

8/11 Response - This is already done on the Commission's offshore oil and gas leases and the bondsmen are required to give at least 90 day notice (some are longer) before they can terminate a bond. Further, staff requires that the offshore lessees show evidence of current bonding and insurance or a replacement bond for any expiring or terminating bond at the annual meetings with all lessees.

10/24/11 Update – While this is not an issue for oil and gas leases as noted above, it is of concern on other surface leases. Staff has met with DGS Office of Risk Management and received some insights in managing insurance certificates. There are firms that provide such a service but further analysis is required to determine if this would be cost effective. Staff is also exploring regulations to give Commission authority to require penalties for non-compliance with insurance and bonding lease requirements. Additional staffing is being requested to enforce this and other compliance issues. See Exhibit N*.

Chapter 3 Recommendations

- A. To better demonstrate its need for additional staff, the commission should do the following:

1. Conduct a workload analysis to identify a reasonable workload for its staff and use this analysis to quantify the need for additional staff.

8/11 Response - Commission staff has and will continue to develop workload analyses and does submit this information in conjunction with requests for additional staffing.

10/24/11 Update – Workload analyses have been conducted regarding the most urgent staffing needs and have been incorporated in requests for additional positions. A broader analysis of needs will be conducted as further programmatic needs are identified. See Exhibits M*, N* and O*.

2. Quantify the monetary benefits of its staff's duties other than processing lease applications, and consider billing lessees for those activities.

8/11 Response - Commission staff agrees to explore the expansion of lease management fees.

10/24/11 Update – Staff is exploring legislative and regulatory changes necessary to address this issue. Management fees are being incorporated in larger leases to recoup actual costs. A flat management fee based on any other criteria requires further analysis and possible regulatory or statutory authorities.

3. Ensure that the workload analysis takes into consideration the additional responsibilities and staffing needs that the commission will receive if the section of the state law that provides for rent-free leases is repealed.

8/11 response - Commission staff has already addressed this issue and additional staffing needs have been identified.

10/24/11 Update – Additional staffing needs were identified in the enrolled bill report for SB 152/ Chapter 585. The increase in workload will be gradual as leases are renewed. Requests will be submitted when needed in the budget years as indicated in that analysis. See Exhibit P.

- B. To better address current and potential future staffing shortages, as well as the impending loss of institutional knowledge, the commission should create a succession plan.

8/11 Response - Commission staff agrees with this recommendation and recognizes its value. In fact, all but one of the current division chief positions have turned over in the past two years bringing the need for a succession plan into sharp focus. However, given

current budget dynamics regarding hiring freezes, continual staff reductions and limited staff resources, it is difficult to create and implement any such plan.

10/24/11 Update – Commission staff agrees with this recommendation, recognizes its value and will address it in the future, following adoption of its Strategic Plan update.

*Exhibits B, M, N, O and P are confidential documents and are exempt from public disclosure per Government Code §§ 6254.5(e), 6254(k), 6254 (l) and 6255; and Code of Civil Procedure § 2018.

**STATE LANDS COMMISSION STAFF'S 60-DAY RESPONSE TO THE
BUREAU OF STATE AUDIT'S REPORT: 2010-125**

EXHIBITS*

*Exhibits B, M, N, O and P are confidential documents and are exempt from public disclosure per Government Code §§ 6254.5(e), 6254(k), 6254 (l) and 6255; and Code of Civil Procedure § 2018.

Exhibit A

Doc #	GL	Doc	FFY	Fund	Balance	Doc Date	Due Date	As Of	Past Due	Name					
27692000	1313	00	10	0001	90,000.00	10/27/2010	12/02/2010	12/31/2010	29	P 7872.1 ISLE CAPITAL CORP	Paid, not liquidated in error				
27651000	1313	00	10	0001	54,000.00	10/27/2010	12/01/2010	12/31/2010	30	P 1589.1 G-P GYPSUM CORP	Paid but held in suspense per negotiator				
A1317000	1313	00	10	0001	1,051.67	07/19/2010	08/19/2010	12/31/2010	134	P 8602.1 SO CALIF MARINE ASSOC	pd 9/210/10				
A1320000	1313	00	10	0001	350.54	08/03/2010	09/03/2010	12/31/2010	119	P 3164.1 DONALD G GGODWIN	pd 8/9/10				
A1321000	1313	00	10	0001	3,714.00	08/03/2010	09/03/2010	12/31/2010	119	P 3165.1 ARNOLD & MARY MENDOZA	pd 8/9/10				
27470000	1313	00	10	0001	100.00	07/15/2010	09/20/2010	12/31/2010	102	P 7859.1 CONOCO PHILLPS COMP	pd 8/12/10				
27650000	1313	00	10	0001	5,555.79	09/13/2010	11/01/2010	12/31/2010	60	P 6855.1 BRUNO'S ISLAND YACHT	pd 9/27/2010				
A1527000	1313	00	10	0001	701.45	11/04/2010	12/04/2010	12/31/2010	27	P 6855.1 BRUNO'S ISLAND P&I	pd 11/24/10				
27708000	1313	00	10	0001	540.00	10/27/2010	12/08/2010	12/31/2010	23	P 8654.1 ORCHARD PETROLEUM INC	pd 11/12/10				
27652000	1313	00	10	0001	1,299.60	10/27/2010	12/18/2010	12/31/2010	13	P 2049.1 DALE DORN KO-KET RES	pd 10/20/10				
A1553000	1313	00	10	0001	24.68	11/24/2010	12/24/2010	12/31/2010	7	P 8321.1 ROSE, F & B P&I	pd 12/2/10				
27679000	1313	00	10	0001	4,800.00	10/27/2010	12/30/2010	12/31/2010	1	P 5499.1 CHAMBERS LANDING PTR	pd 12/17/10				
					162,137.73				12						
Current due				105	1,120,707.00										
0-29 days past due				13	23,191.66										
30-59 days past due				9	4,995.43										
60-89 days past due				6	8,825.00										
90-119 days past due				20	30,627.22										
120-179 days past due				16	20,314.28		64	87,953.59	Past Due						
over 180 dyas past due				146	121,433.68		146	121,433.68	Delinquent						
paid on time but not liq in CALSTARS				12	162,137.73										
Total GL 1313				327	1,492,232.00		210	209,387.27	total past due						

Exhibit A

Doc #	GL	Doc	FFY	Fund	Balance	Doc Date	Due Date	As Of	Past Due	Name					
00012053	1313	12	90	0001	2,712.46	07/23/1990	08/14/1990	12/31/2010	7444	P 18 USX REALTY		D16 data as of 12/31/10			
12745000	1313	00	91	0001	2,712.46	07/11/1991	08/14/1991	12/31/2010	7079	P 18 US REALTY DEV					
13325000	1313	00	91	0001	250.00	05/05/1992	06/01/1992	12/31/2010	6787	P 5889.1 R.A. LINDGREN					
13414000	1313	00	92	0001	2,712.46	07/23/1992	08/14/1992	12/31/2010	6713	P 18 USX REALTY DEV.					
14051000	1313	00	93	0001	2,712.46	07/13/1993	08/14/1993	12/31/2010	6348	P 18.1USX REALTY DEV					
14210000	1313	00	93	0001	250.00	09/22/1993	11/01/1993	12/31/2010	6269	P 6362 D. SAFRENO					
S8053000	1313	00	93	0001	194.40	11/12/1993	12/12/1993	12/31/2010	6228	P 2636 HOPE JOHNSON - RENT					
14686000	1313	00	94	0001	2,712.46	07/06/1994	08/14/1994	12/31/2010	5983	P 18 US REALTY DEVELOPMENT					
14850000	1313	00	94	0001	250.00	10/17/1994	11/01/1994	12/31/2010	5904	P 6362 DOUGLAS SAFRENO					
14933000	1313	00	94	0001	100.00	11/28/1994	01/26/1995	12/31/2010	5818	P 3443 NEW ISLAND FARMS					
15240000	1313	00	94	0001	250.00	05/01/1995	06/01/1995	12/31/2010	5692	P 5889 R.A. LINDGREN					
15473000	1313	00	95	0001	250.00	09/29/1995	11/01/1995	12/31/2010	5539	P 6362 D SAFRENO					
15547000	1313	00	95	0001	100.00	12/04/1995	01/26/1996	12/31/2010	5453	P 3443 NEW ISLAND FARMS					
15857000	1313	00	95	0001	250.00	04/20/1996	06/01/1996	12/31/2010	5326	P 5889 RA LINDGREN					
16121000	1313	00	96	0001	250.00	10/03/1996	11/01/1996	12/31/2010	5173	P 6362 D SAFRENO					
14660000	1313	00	96	0001	583.20	11/22/1996	12/22/1996	12/31/2010	5122	P 2646 HOE JOHNSON -3YRS-RT					
16201000	1313	00	96	0001	100.00	12/05/1996	01/26/1997	12/31/2010	5087	P 3443 NEW ISLAND FARMS					
16357000	1313	00	96	0001	194.40	01/24/1997	03/01/1997	12/31/2010	5053	P 2646 HOPE T JOHNSON					
16522000	1313	00	96	0001	250.00	05/01/1997	06/01/1997	12/31/2010	4961	P 5889 RODNEY A LINDGREN					
16803000	1313	00	97	0001	250.00	09/15/1997	11/01/1997	12/31/2010	4808	P 6362 DOUGLAS SAFRENO					
16890000	1313	01	97	0001	100.00	11/19/1997	01/26/1998	12/31/2010	4722	P 3443 NEW ISLAND FARMS					
17063000	1313	00	97	0001	194.40	01/27/1998	03/01/1998	12/31/2010	4688	P 2646 HOPE JOHNSON					
17230000	1313	00	97	0001	250.00	04/22/1998	06/01/1998	12/31/2010	4596	P 5889 RODNEY A LINDGREN					
17503000	1313	00	98	0001	250.00	09/23/1998	11/01/1998	12/31/2010	4443	P 6362 DOUGLAS SAFRENO					
17585000	1313	00	98	0001	100.00	11/16/1998	01/26/1999	12/31/2010	4357	P 3443 NEW ISLAND FARMS					
17732000	1313	00	98	0001	194.40	01/27/1999	03/01/1999	12/31/2010	4323	P 2646 HOPE JOHNSOM					
52930000	1313	00	98	0001	50.00	03/16/1999	04/16/1999	12/31/2010	4277	P 1341 RICHARD KELTER					
17931000	1313	00	98	0001	250.00	05/05/1999	06/01/1999	12/31/2010	4231	P 5889 RODNEY A LINDGREN					
18205000	1313	00	99	0001	250.00	10/21/1999	11/01/1999	12/31/2010	4078	P 6362 DOUGLAS SAFRENO					
18368000	1313	00	99	0001	100.00	12/15/1999	01/26/2000	12/31/2010	3992	P 3443 NEW ISLAND FARMS					
18418000	1313	00	99	0001	50.00	01/27/2000	03/01/2000	12/31/2010	3957	P 1341 RICHARD KELTER					
18613000	1313	00	99	0001	250.00	05/04/2000	06/01/2000	12/31/2010	3865	P 5889 RODNEY A LINDGREN					
18907000	1313	00	00	0001	250.00	10/02/2000	11/01/2000	12/31/2010	3712	P 6362 DOUGLAS SAFRENO					
19019000	1313	00	00	0001	63.00	12/06/2000	01/01/2001	12/31/2010	3651	P 6337 ROY STEPHENS					
19080000	1313	00	00	0001	100.00	12/20/2000	01/26/2001	12/31/2010	3626	P 3443 NEW ISLAND FARMS					
19143000	1313	00	00	0001	50.00	02/02/2001	03/01/2001	12/31/2010	3592	P 1341 RICHARD KELTER					

Exhibit A

Doc #	GL	Doc	FFY	Fund	Balance	Doc Date	Due Date	As Of	Past Due	Name					
19343000	1313	00	00	0001	250.00	05/08/2001	06/01/2001	12/31/2010	3500	P 5889 RODNEY A LINDGREN					
19658000	1313	00	01	0001	250.00	10/02/2001	11/01/2001	12/31/2010	3347	P 6362 GARDNER					
19838000	1313	00	01	0001	100.00	12/14/2001	01/26/2002	12/31/2010	3261	P 3443 NEW ISLAND FARMS					
19900000	1313	00	01	0001	50.00	02/06/2002	03/01/2002	12/31/2010	3227	P 1341 RICHARD KELTER					
20117000	1313	00	01	0001	250.00	05/03/2002	06/01/2002	12/31/2010	3135	P 5889 - RODNEY LINDGREN					
20607000	1313	00	02	0001	100.00	12/17/2002	01/26/2003	12/31/2010	2896	P 3443 - NEW ISLAND FARMS					
20677000	1313	00	02	0001	50.00	02/04/2003	03/01/2003	12/31/2010	2862	P 1341 - RICHARD KELTER					
20894000	1313	00	02	0001	250.00	05/05/2003	06/01/2003	12/31/2010	2770	P 5889 - RODNEY LINDGREN					
68130000	1313	00	03	0001	5,615.52	09/22/2003	10/22/2003	12/31/2010	2627	P 5859 CAMP RICHARDSON - P/I					
21390000	1313	00	03	0001	100.00	12/16/2003	01/26/2004	12/31/2010	2531	P 3443.1 NEW ISLAND FARMS					
21460000	1313	00	03	0001	50.00	02/09/2004	03/01/2004	12/31/2010	2496	P 1341.1 RICHARD KELTER					
21671000	1313	00	03	0001	250.00	05/05/2004	06/01/2004	12/31/2010	2404	P 5889.1 RODNEY A LINDGREN					
22160000	1313	02	04	0001	100.00	12/17/2004	01/26/2005	12/31/2010	2165	P 3443.1 NEW ISLAND FARMS					
22230000	1313	02	04	0001	50.00	02/02/2005	03/01/2005	12/31/2010	2131	P 1341.1 RICHARD KELTER					
22443000	1313	02	04	0001	250.00	05/09/2005	06/01/2005	12/31/2010	2039	P 5889.1 RODNEY A LINDGREN					
22539000	1313	02	04	0001	7,500.00	06/06/2005	07/01/2005	12/31/2010	2009	P 8409.1 AERA ENERGY LLC					
22974000	1313	00	05	0001	100.00	12/19/2005	01/26/2006	12/31/2010	1800	P 3443.1 NEW ISLAND FARMS					
77710000	1313	00	05	0001	280.00	12/29/2005	01/29/2006	12/31/2010	1797	P 6004 - WILLIAM EHLERT					
23004000	1313	00	05	0001	122.00	12/29/2005	02/01/2006	12/31/2010	1794	P 8015.1 WHOOSE GOOSE FARMS					
22992000	1313	00	05	0001	297.04	12/29/2005	02/02/2006	12/31/2010	1793	P 6004.1 W L & R A EHLERT					
23043000	1313	00	05	0001	50.00	02/03/2006	03/01/2006	12/31/2010	1766	P 1341.1 RICHAR KELTER					
23269000	1313	00	05	0001	250.00	04/28/2006	06/01/2006	12/31/2010	1674	P 5889.1 RODNEY A LINDGREN					
23365000	1313	00	05	0001	7,500.00	06/02/2006	07/01/2006	12/31/2010	1644	P 8409.1 AERA ENERGY LLC					
23505000	1313	00	06	0001	285.00	07/27/2006	09/01/2006	12/31/2010	1582	P 6691.1 ROBERT NAVE & ALBERT					
82190000	1313	00	06	0001	1,250.00	09/19/2006	10/21/2006	12/31/2010	1532	P 6362.1 MURRAY & AKUCE GARDNE					
23656000	1313	00	06	0001	250.00	09/26/2006	11/01/2006	12/31/2010	1521	P 6362.1 MURRAY & ALICE GARDNE					
23761000	1313	00	06	0001	507.42	11/17/2006	11/17/2006	12/31/2010	1505	P 519.1 LAWRE & SHRL MCKINNEY					
83380000	1313	00	06	0001	4,059.36	11/17/2006	12/13/2006	12/31/2010	1479	P 519.1 SHIRLEY & LAW MCKINNE					
83350000	1313	00	06	0001	890.40	11/17/2006	12/14/2006	12/31/2010	1478	P 2749.1 GJ &JP WILSON					
23774000	1313	00	06	0001	127.20	11/28/2006	01/01/2007	12/31/2010	1460	P 2649.1 GARY & JEANNE WILSON					
23910000	1313	00	06	0001	122.00	12/28/2006	02/01/2007	12/31/2010	1429	P 8015.1 WHOOSE GOOSE FARMS					
23896000	1313	00	06	0001	297.04	12/28/2006	02/02/2007	12/31/2010	1428	P 6004.1 WILLIAM& ROB EHLERT					
23958000	1313	00	06	0001	50.00	01/27/2007	03/01/2007	12/31/2010	1401	P 1341.1 RICHARD KELTER					
85890000	1313	00	06	0001	1,300.00	03/20/2007	04/20/2007	12/31/2010	1351	P6763 GARROD TRUST					
24178000	1313	00	06	0001	57.53	04/09/2007	05/31/2007	12/31/2010	1310	P 7171.1 PACIFIC LUMBER CO					
24200000	1313	00	06	0001	250.00	04/25/2007	06/01/2007	12/31/2010	1309	P 5889.1 RODNEY A LINDGREN					

Exhibit A

Doc #	GL	Doc	FFY	Fund	Balance	Doc Date	Due Date	As Of	Past Due	Name					
24456000	1313	00	07	0001	184.00	07/18/2007	09/01/2007	12/31/2010	1217	P 6687 BARRY & DARRELL KISER					
24460000	1313	00	07	0001	285.00	07/18/2007	09/01/2007	12/31/2010	1217	P 6691 R NAVE & A GHIRINGHELLI					
24618000	1313	00	07	0001	250.00	10/02/2007	11/01/2007	12/31/2010	1156	P 6362.1 MURRAY &ALICE GARDNER					
24668000	1313	00	07	0001	507.42	10/29/2007	12/31/2007	12/31/2010	1096	P 519.1 LAWRENCE&SHIR MCKINNEY					
24736000	1313	00	07	0001	127.20	11/30/2007	01/01/2008	12/31/2010	1095	P 2649.1 GARY &JEANNE WILSON					
91750000	1313	00	07	0001	100.00	12/21/2007	01/21/2008	12/31/2010	1075	P 6763.2 GARROD TRUST					
24886000	1313	00	07	0001	122.00	12/21/2007	02/01/2008	12/31/2010	1064	P 8015.1 WHOOSE GOOSE FARMS					
24868000	1313	00	07	0001	280.00	12/21/2007	02/02/2008	12/31/2010	1063	P 6004.1 WILLIAM&ROBERT EHLERT					
24924000	1313	00	07	0001	50.00	01/31/2008	03/01/2008	12/31/2010	1035	P 1341.1 RICHARD KELTER					
25124000	1313	00	07	0001	100.00	03/27/2008	05/31/2008	12/31/2010	944	P 7171.1 PACIFIC LUMBER CO					
25191000	1313	00	07	0001	250.00	04/16/2008	06/01/2008	12/31/2010	943	P 5889.1 RODNEY LINDGREN					
25356000	1313	00	07	0001	785.00	06/13/2008	08/09/2008	12/31/2010	874	P 3755.1 OMEAH LIMTD PRTRNSHP					
25347000	1313	00	07	0001	4,820.00	06/13/2008	08/29/2008	12/31/2010	854	P 1992.1 RMC PACIFIC MATERIALS					
25464000	1313	00	08	0001	184.00	07/14/2008	09/01/2008	12/31/2010	851	P 6687.1 BARRY & DARRELL KISER					
25468000	1313	00	08	0001	285.00	07/14/2008	09/01/2008	12/31/2010	851	P 6691.1 R. NAVE & A. GHIRINGH					
25486000	1313	00	08	0001	500.00	07/14/2008	09/01/2008	12/31/2010	851	P 8477.2 MOON, JAY & KAREN					
25617000	1313	00	08	0001	250.00	09/10/2008	11/01/2008	12/31/2010	790	P 6362.1 MURRAY &ALICE GARDNER					
25619000	1313	00	08	0001	100.00	09/10/2008	11/01/2008	12/31/2010	790	P 6763.2 GARROD TRUST					
25688000	1313	00	08	0001	550.00	10/14/2008	12/01/2008	12/31/2010	760	P 6752.2 LEO & NANCY SWANK					
25736000	1313	00	08	0001	127.20	11/12/2008	01/01/2009	12/31/2010	729	P 2649.1 WILSON, GARY & JEANNE					
25774000	1313	00	08	0001	8,839.00	11/12/2008	01/01/2009	12/31/2010	729	P 5110.1 ALAMAR REST MARINA					
25751000	1313	00	08	0001	100.00	11/12/2008	01/26/2009	12/31/2010	704	P 3443.1 NEW ISLAND FARMS					
25886000	1313	00	08	0001	122.00	12/15/2008	02/01/2009	12/31/2010	698	P 8015.1 WHOOSE GOOSE FARMS					
25868000	1313	00	08	0001	280.00	12/15/2008	02/02/2009	12/31/2010	697	P 6004.1 WILLIAM & ROB EHLERT					
25925000	1313	00	08	0001	50.00	01/12/2009	03/01/2009	12/31/2010	670	P 1341.1 RICHARD KELTER					
A0078000	1313	00	08	0001	821.64	03/15/2009	03/25/2009	12/31/2010	646	P 8143.1 MFS/MCI VERIZON P&I					
26081000	1313	00	08	0001	750.00	02/23/2009	04/01/2009	12/31/2010	639	P 5467.1 DAGO MARY'S CALIF					
26153000	1313	00	08	0001	750.00	03/10/2009	05/01/2009	12/31/2010	609	P 5467.1 DAGO MARY'S CA CORP					
26186000	1313	00	08	0001	250.00	04/15/2009	06/01/2009	12/31/2010	578	P 5889.1 RODNEY LINDGREN					
26203000	1313	00	08	0001	1,521.00	04/15/2009	06/01/2009	12/31/2010	578	P 8080.1 CONOCO PHILLIPS COMP					
26222000	1313	00	08	0001	750.00	04/15/2009	06/01/2009	12/31/2010	578	P 5467.1DAGO MARY'S CA CORP					
26313000	1313	00	08	0001	750.00	05/15/2009	07/01/2009	12/31/2010	548	P 5467.1 DAGO MARY'S CA CORP					
26344000	1313	00	08	0001	785.00	06/15/2009	07/15/2009	12/31/2010	534	P 3755.1 OMEAH LMTD PTRNSHP					
26418000	1313	00	08	0001	750.00	06/15/2009	07/15/2009	12/31/2010	534	P 5467.1 DAGO MARY'S CA CORP					
26335000	1313	00	08	0001	4,820.00	06/15/2009	08/29/2009	12/31/2010	489	P 1992.1 RMC PACIFIC MTRLS					
26453000	1313	00	09	0001	184.00	07/13/2009	09/01/2009	12/31/2010	486	P 6687.1 BARRY & DARRELL KISER					

Exhibit A

Doc #	GL	Doc	FFY	Fund	Balance	Doc Date	Due Date	As Of	Past Due	Name					
26457000	1313	00	09	0001	285.00	07/13/2009	09/01/2009	12/31/2010	486	P 6691.1 R NAVE & A GHIRINGHEL					
26489000	1313	00	09	0001	750.00	07/13/2009	09/01/2009	12/31/2010	486	P 5467.1 DAGO MARY'S CA CORP					
26475000	1313	00	09	0001	500.00	07/13/2009	09/01/2009	12/31/2010	486	P 8477.2 JAY & KAREN MOON					
A0503000	1313	00	09	0001	73.19	08/26/2009	09/26/2009	12/31/2010	461	P 8089.2 FAUGHN, A & J					
26450000	1313	00	09	0001	802.00	07/13/2009	09/29/2009	12/31/2010	458	P 5719.1 GOLDEN GATE WATERSKI					
26561000	1313	00	09	0001	100.00	08/13/2009	10/01/2009	12/31/2010	456	P 8569.1 ASPEN EXPLORATION COR					
26575000	1313	00	09	0001	750.00	08/13/2009	10/01/2009	12/31/2010	456	P 5467.1 DAGO MARY'S CALIF					
26537000	1313	00	09	0001	10.00	08/13/2009	10/31/2009	12/31/2010	426	P 7412.1 OWNER PARTIES LAS TUN					
26604000	1313	00	09	0001	250.00	09/08/2009	11/01/2009	12/31/2010	425	P 6362.1 GARDNER, MURRY & ALIC					
26606000	1313	00	09	0001	100.00	09/08/2009	11/01/2009	12/31/2010	425	P 6763.2 GARROD TRUST					
26629000	1313	00	09	0001	750.00	09/08/2009	11/01/2009	12/31/2010	425	P 5467.1 DAGO MARY'S CA CORP					
26706000	1313	00	09	0001	750.00	10/15/2009	12/01/2009	12/31/2010	395	P 5467.1 DAGO MARY'S CALIF					
26687000	1313	00	09	0001	900.00	10/15/2009	12/08/2009	12/31/2010	388	P 8652.1 SCHUSTER IRIS M TTEE					
26718000	1313	00	09	0001	127.20	11/25/2009	01/01/2010	12/31/2010	364	P 2649.1 WILSON, GARY & JEANNE					
26757000	1313	00	09	0001	8,839.00	11/25/2009	01/01/2010	12/31/2010	364	P 5110.1 HUGE TURNER/ALAMAR					
26812000	1313	00	09	0001	750.00	11/25/2009	01/01/2010	12/31/2010	364	P 5467.1 DAGO MARY'S CALIF COR					
26733000	1313	00	09	0001	100.00	11/25/2009	01/26/2010	12/31/2010	339	P 3443.1 NEW ISLAND FARMS					
26844000	1313	00	09	0001	1,675.00	12/15/2009	02/01/2010	12/31/2010	333	P 4893.1 BELLE HAVEN REALTY CA					
26867000	1313	00	09	0001	122.00	12/15/2009	02/01/2010	12/31/2010	333	P 8015.1 WHOOSE GOOSE FARMS LL					
26888000	1313	00	09	0001	750.00	12/15/2009	02/01/2010	12/31/2010	333	P 5467.1 DAGO MARY'S CA CORP					
26848000	1313	00	09	0001	280.00	12/15/2009	02/02/2010	12/31/2010	332	P 6004.1 EHLERT, WILLIAM & ROB					
26905000	1313	00	09	0001	50.00	01/12/2010	03/01/2010	12/31/2010	305	P 1341.1 RICHARD KELTER					
26912000	1313	00	09	0001	2,700.00	01/12/2010	03/01/2010	12/31/2010	305	P 2610.1 DBA DELTA SHORES RESO					
26986000	1313	00	09	0001	750.00	01/12/2010	03/01/2010	12/31/2010	305	P 5467.1 DAGO MARY'S CALIF COR					
A0927000	1313	00	09	0001	1,360.00	02/11/2010	03/11/2010	12/31/2010	295	P 5550.1 SINGER, F &R					
27017000	1313	00	09	0001	550.00	02/09/2010	04/01/2010	12/31/2010	274	P 4645.2 CITY OF LA					
27069000	1313	00	09	0001	750.00	02/09/2010	04/01/2010	12/31/2010	274	P 5467.1 DAGO MARY'S CA CORP					
27021000	1313	00	09	0001	972.00	02/09/2010	04/06/2010	12/31/2010	269	P 5189.1 BOW CORP					
26998000	1313	00	09	0001	5,400.00	02/09/2010	04/07/2010	12/31/2010	268	P 2148.1 KMC INC					
27141000	1313	00	09	0001	750.00	03/16/2010	05/01/2010	12/31/2010	244	P 5467.1 DAGO MARY'S CALIF CO					
A1037000	1313	00	09	0001	680.00	04/23/2010	05/23/2010	12/31/2010	222	P 3851.1 C&S KRONICK TTEE'S					
27174000	1313	00	09	0001	250.00	04/12/2010	06/01/2010	12/31/2010	213	P 5889.1 RODNEY LINDGREN					
27193000	1313	00	09	0001	1,521.00	04/12/2010	06/01/2010	12/31/2010	213	P 8080.1 CONOCOPHILLIPS COMP					
27213000	1313	00	09	0001	750.00	04/12/2010	06/01/2010	12/31/2010	213	P5467.1 DAGO MARYS'S CALIF					
A1099000	1313	00	09	0001	51.22	05/03/2010	06/03/2010	12/31/2010	211	P 3085.1 MILLER, R AND G P&I					
27240000	1313	00	09	0001	1,160.00	05/10/2010	07/01/2010	12/31/2010	183	P 5166.1 H. TURNER/ELKHORN BOA					

Exhibit A

Doc #	GL	Doc	FFY	Fund	Balance	Doc Date	Due Date	As Of	Past Due	Name					
27273000	1313	00	09	0001	100.00	05/10/2010	07/01/2010	12/31/2010	183	P 7638.1 CONOCOPHILLIPS COMP					
27305000	1313	00	09	0001	750.00	05/10/2010	07/01/2010	12/31/2010	183	P 5467.1 DAGO MARY'S CALIF	146	121,433.68	Delinquent per SCO Standards		
27226000	1313	00	09	0001	6,314.40	05/10/2010	07/22/2010	12/31/2010	162	P 3186.1 EVERGREEN/FRESH			greater than 180 days		
A1185000	1313	00	09	0001	704.88	06/24/2010	07/25/2010	12/31/2010	159	P 2610.1 DELTA SHORES/PALMERO					
27353000	1313	00	09	0001	1,700.00	06/14/2010	08/01/2010	12/31/2010	152	P 4485.1 DBA RIO RAMAZA MARINA					
27418000	1313	00	09	0001	750.00	06/14/2010	08/01/2010	12/31/2010	152	P5467.1 DAGO MARY'S CALIF CORP					
27337000	1313	00	09	0001	785.00	06/14/2010	08/08/2010	12/31/2010	145	P 3755.1 OMEAH LTD					
27372000	1313	00	09	0001	680.00	06/14/2010	08/10/2010	12/31/2010	143	P 5550.1 FRANK & RONA SINGER,					
27410000	1313	00	09	0001	1,335.00	06/14/2010	08/11/2010	12/31/2010	142	P 8833.1 MANASHI, ROBERT&NAHRI					
27400000	1313	00	09	0001	186.00	06/14/2010	08/17/2010	12/31/2010	136	P 8554.1 SO VALLEY PROP					
27377000	1313	00	09	0001	680.00	06/14/2010	08/27/2010	12/31/2010	126	P 6925.1 WIEDEMANN RANCH INC					
27328000	1313	00	09	0001	4,820.00	06/14/2010	08/29/2010	12/31/2010	124	P 1992.1 RMC PACIFIC MATERIALS					
27340000	1313	00	09	0001	340.00	06/14/2010	08/31/2010	12/31/2010	122	P 3851.1 CRAIG &STUART KRONICK					
27456000	1313	00	10	0001	184.00	07/15/2010	09/01/2010	12/31/2010	121	P 6687.1 BARRY & DARREL KISER					
27460000	1313	00	10	0001	285.00	07/15/2010	09/01/2010	12/31/2010	121	P 6691.1 ROBERT NAVE&A GHIRING					
27479000	1313	00	10	0001	500.00	07/15/2010	09/01/2010	12/31/2010	121	P 8477.2 JAY & KAREN MOON					
27489000	1313	00	10	0001	300.00	07/15/2010	09/01/2010	12/31/2010	121	P 932.1 CABRILLO POWER LLC					
27496000	1313	00	10	0001	750.00	07/15/2010	09/01/2010	12/31/2010	121	P 5467.1 DAGO MARY'S CA CORP	16	20,314.28	120 to 179 days past due		
A1322000	1313	00	10	0001	2,340.00	08/03/2010	09/03/2010	12/31/2010	119	P 3247.1 IRENE COOPER					
A1323000	1313	00	10	0001	1,013.00	08/03/2010	09/03/2010	12/31/2010	119	P 3254.1 ING LIONG & C.WONG					
A1324000	1313	00	10	0001	264.73	08/03/2010	09/03/2010	12/31/2010	119	P 3570.1 SMAUEL GIESY JR					
A1327000	1313	00	10	0001	1,125.00	08/05/2010	09/05/2010	12/31/2010	117	P 5761.1 J. FAN & J. SUN					
A1330000	1313	00	10	0001	4,162.00	08/05/2010	09/05/2010	12/31/2010	117	P7449.1 SELECTIVE RUBICON PROP					
A1331000	1313	00	10	0001	100.00	08/05/2010	09/05/2010	12/31/2010	117	P 8874.1 ROSETTA RESOURCES					
A1334000	1313	00	10	0001	1,148.00	08/05/2010	09/05/2010	12/31/2010	117	P 8882.1 MICHAEL WOODS					
A1338000	1313	00	10	0001	87.01	08/10/2010	09/10/2010	12/31/2010	112	P 5498.1 CLOVER/DECKHANDS P&I					
A1341000	1313	00	10	0001	75.72	08/10/2010	09/10/2010	12/31/2010	112	P 8286.1 BAGHDASSARIAN P&I					
A1345000	1313	00	10	0001	3,000.00	08/12/2010	09/12/2010	12/31/2010	110	P 8876.1 SAN DIEGO UNIFIED POR					
A1352000	1313	00	10	0001	3,208.00	08/25/2010	09/25/2010	12/31/2010	97	P 8183.1 BAKER, ANN					
A1357000	1313	00	10	0001	218.00	08/25/2010	09/25/2010	12/31/2010	97	P 2701.2 SO CALIF EDISON COMP					
27454000	1313	00	10	0001	802.00	07/15/2010	09/26/2010	12/31/2010	96	P 5719.1 GOLDEN GATE WATER SKI					
27481000	1313	00	10	0001	245.00	07/15/2010	09/28/2010	12/31/2010	94	P 8544.1 JCS PROP LLC					
A1412000	1313	00	10	0001	45.96	08/30/2010	09/30/2010	12/31/2010	92	P 6170.2 HESSLER, T & K					
A1413000	1313	00	10	0001	1,457.80	08/31/2010	09/30/2010	12/31/2010	92	P 3813.1 SUNNYSIDE LANE LLC					
27545000	1313	00	10	0001	5,550.00	08/13/2010	10/01/2010	12/31/2010	91	P 7165.1 EL CAJON RETIREMENT					
27561000	1313	00	10	0001	435.00	08/13/2010	10/01/2010	12/31/2010	91	P 8052.1 HOMEWOOD MARINA LODGE					

Exhibit A

Doc #	GL	Doc	FFY	Fund	Balance	Doc Date	Due Date	As Of	Past Due	Name					
27574000	1313	00	10	0001	100.00	08/13/2010	10/01/2010	12/31/2010	91	P 8569.1 ASPEN EXPLORATION					
27588000	1313	00	10	0001	5,250.00	08/13/2010	10/01/2010	12/31/2010	91	P 5467.1 DAGO MARY'S (7MONTHS)	20	30,627.22	90 to 119 days past due		
27526000	1313	00	10	0001	7,560.00	08/13/2010	10/19/2010	12/31/2010	73	P 5040.1 SAN PABLO BAY PIPELIN					
27536000	1313	00	10	0001	900.00	08/13/2010	10/26/2010	12/31/2010	66	P 5745.1 MAKLER, S & M					
27549000	1313	00	10	0001	10.00	08/13/2010	10/31/2010	12/31/2010	61	P 7412.1 OWENER/LAS TUNAS BCH					
27620000	1313	00	10	0001	250.00	09/13/2010	11/01/2010	12/31/2010	60	P 6362.1 MURRAY & ALICE GARDNE					
27622000	1313	00	10	0001	100.00	09/13/2010	11/01/2010	12/31/2010	60	P 6763.2 GARROD TRUST					
27627000	1313	00	10	0001	5.00	09/13/2010	11/01/2010	12/31/2010	60	P 7234.1 CITY OF SACTO	6	8,825.00	60 to 89 days past due		
27638000	1313	00	10	0001	1,105.00	09/13/2010	11/13/2010	12/31/2010	48	P 8682.1 TAHOE HOUSE LLC					
27601000	1313	00	10	0001	1,013.00	09/13/2010	11/20/2010	12/31/2010	41	P 3254.1 ING LIONG& C FONGWONG					
27617000	1313	00	10	0001	1,125.00	09/13/2010	11/20/2010	12/31/2010	41	P 5761.1 J FAN AND J SUN					
27600000	1313	00	10	0001	156.24	09/13/2010	11/21/2010	12/31/2010	40	P 3073.1 ARCO CORP C/O BP					
A1526000	1313	00	10	0001	54.49	10/29/2010	11/29/2010	12/31/2010	32	P 4485.1 FOUR JAY/RIO RAMAZAPI					
27608000	1313	00	10	0001	518.00	09/13/2010	11/30/2010	12/31/2010	31	P 4182.1 AMY BOLLINGER ET AL					
27690000	1313	00	10	0001	87.00	10/27/2010	12/01/2010	12/31/2010	30	P 7369.1 MILLICENT WAITS & D					
27694000	1313	00	10	0001	79.70	10/27/2010	12/01/2010	12/31/2010	30	P 8101.1 SPRINT NAT'L LEASE					
27705000	1313	00	10	0001	857.00	10/27/2010	12/01/2010	12/31/2010	30	P 8601.1 COHEN, MARTIN & BARB	9	4,995.43	30 to 59 days past due		
27707000	1313	00	10	0001	900.00	10/27/2010	12/08/2010	12/31/2010	23	P 8652.1 SCHUSTER IRIS M TTEE					
27666000	1313	00	10	0001	359.00	10/27/2010	12/13/2010	12/31/2010	18	P 4330.1 CASSIN, BRENDA & ISAB					
27675000	1313	00	10	0001	115.00	10/27/2010	12/16/2010	12/31/2010	15	P 5357.1 SHELTON, D & J					
27681000	1313	00	10	0001	4,571.00	10/27/2010	12/16/2010	12/31/2010	15	P 5609.1 GIFFORD INVEST LTD					
27654000	1313	00	10	0001	1,876.00	10/27/2010	12/17/2010	12/31/2010	14	P 2278.1 TIM WESTPHAL (TRUSTEE					
27672000	1313	00	10	0001	2,976.00	10/27/2010	12/21/2010	12/31/2010	10	P 5101.1 BOLTON, HENRY & JULIE					
A1535000	1313	00	10	0001	2,162.00	11/22/2010	12/23/2010	12/31/2010	8	P 8601.1 COHEN, M & B					
A1538000	1313	00	10	0001	195.00	11/22/2010	12/23/2010	12/31/2010	8	P 8900.1 TULARE CO RESOURCES					
A1539000	1313	00	10	0001	3,337.00	11/22/2010	12/23/2010	12/31/2010	8	P 5516.1 BEACHCOMBER INN					
A1541000	1313	00	10	0001	163.00	11/22/2010	12/23/2010	12/31/2010	8	P 3288.1 HUNTINGTON MARINA					
A1542000	1313	00	10	0001	4,760.14	11/22/2010	12/23/2010	12/31/2010	8	P 5392.1 SAN DIEGO GAS & ELECT					
A1547000	1313	00	10	0001	1,609.89	11/24/2010	12/24/2010	12/31/2010	7	P 2148.1 KMC INC					
A1549000	1313	00	10	0001	167.63	11/24/2010	12/24/2010	12/31/2010	7	P 4812.1 DONALD GLIDEWELL P&I	13	23,191.66	0 to 29 days past due		
					209,387.27	Past Due									

State of California

California State Lands Commission

MEMORANDUM

To: Paul Thayer, Executive Officer
California State Lands Commission

Date: April 5, 2010

File: n/a

From: Colin Connor, Assistant Chief
Land Management Division

Subject: **Holdover Reduction Plan**

The following is a response to your request of January 25, 2010 to report on current holdovers in excess of five years and to prepare a plan to reduce the number of leases in holdover status. For purposes of this memorandum, holdover is defined as the possession of the lease premises by the lessee after expiration of a previously authorized lease. While earlier leases may differ, the General Provisions (Paragraph 14, Section 4) of all current General Leases¹ provide that:

Any holding over by the lessee after the expiration of the Lease term, with or without the express or implied consent of Lessor, shall constitute a tenancy from month to month and not an extension of the Lease term and shall be on the terms, covenants, and conditions of the Lease, except that the annual rental then in effect shall be increased by twenty-five (25%).

There are many reasons why leases go into holdover: the inability of staff to negotiate a new lease prior to the expiration of the current lease due to staffing and time constraints, the unwillingness of the lessee to respond prior to the expiration of the lease, the unwillingness of the lessee to negotiate, and the preparation of an environmental document, to name just a few.

Current Situation

According to the most recent information available from Accounting, there are 44 leases that have been in holdover for five years or more. Following is a summary of the holdovers sorted by holdover period.

Holdover Period	No. of Leases	Total Annual Rent
5-10 Yrs.	19	\$3,492
11-15 Yrs.	20	\$74,575
15+ Yrs.	5	\$1,642,412
Totals	44	\$1,720,479

¹ Section 4, General Provisions (revised June 2006), are the standard provisions for most lease types. Recreational Pier Leases (RPLs) and Dredging Leases do not contain Section 4, nor do they contain specific "Holding Over" provisions.

The total annual rent represents the amount being charged, which in most cases is the annual rent at the time the lease went into holdover. In some cases, the annual rent may include the 25% holdover charge, but this is rare.

From review of the information provided by Accounting, it is clear that the oldest holdovers have the highest annual rent. However, it should be noted that the total rent shown for the 15+ year category is skewed by the recently renegotiated rent revisions for the Chevron El Segundo marine terminal and the Tesoro Avon marine terminal. The annual rent for the Chevron El Segundo marine terminal was increased from \$319,140 to \$1,290,000 in October 2009, while the rent for the Avon marine terminal went from \$62,625 to \$143,000 in September 2007.

In addition to having generally higher rents, the oldest holdovers also involve some of the more complicated lease terms and sensitive environmental concerns. The three oldest holdovers are for marine oil terminals. The fourth oldest is for a marine terminal offshore of a power plant. The sixth oldest is also a marine oil terminal. While these types of leases are complex and involve long and involved negotiations and preparation of often controversial CEQA documents, clearly they are not being taken care of in a timely manner.

At present, leases in the ALID database are "tickled" to be pulled by LMD clerical staff nine months prior to expiration. The leases are then assigned by the Regional Managers to negotiators, who then notify the lessees and request them to submit an application. If management is aware of them beforehand, then those leases involving significant facilities or rent are pulled earlier to allow more time for lease processing, negotiation, and environmental review. There is no set time frame or procedure for following up with the lessee before it goes into holdover. Likewise, there is no set procedure for turning it over to Legal once the lease is in holdover. The lack of an adequate notification/follow-up schedule is believed to be the heart of the holdover problem.

Holdover Reduction Proposal

Following is the outline of a plan for reducing the occurrence of expired leases going into holdover. The plan has two broad objectives: The first is to prevent leases from going into holdover before they expire and the second is to shorten the holdover period once the lease has expired.

1. To all future leases involving large commercial or industrial facilities, add a provision in Section 2 (Special Provisions) of the lease requiring the lessee to submit an application for renewal two years prior to the expiration of the lease.
2. A fixed early notification schedule for all lessees (not just those with large commercial or industrial facilities) of pending lease expiration. The following

schedule would require staff to periodically search the database for lease termination dates.

- a) *Initial written notification two years prior to expiration.* The intent is to have the lessee submit an application for a new lease at the earliest possible opportunity in order to allow enough time for application processing and environmental review, especially if an EIR is required. In this first letter, staff shall remind the lessee of the holdover provision in their lease, which calls for a 25% increase in rent.
 - b) *Second written notification at 18 months prior to expiration.* The intent is to provide a reminder to the lessee to submit an application or to schedule a pre-application meeting or otherwise inform staff of lessee's intentions (i.e., new lease or vacate lease premises). At this time, staff shall inform the lessee that rent during holdover will be based on either a new appraisal or the Holding-Over provision (25% increase) in Section 4 of the lease.
 - c) *Third written notification at one year prior to expiration.* Intent is to notify lessee that it might not be possible to process new application prior to expiration of the lease and reminder that lessee will need to either submit an application for a new lease or prepare and submit a plan to vacate the lease premises upon expiration of the lease.
3. Advise lessee in each notification that if an application is not submitted by the lease expiration date, then the lessee may be deemed to be in trespass and that the matter may be brought before the State Lands Commission for consideration prior to being forwarded to the State Attorney General's Office for review and enforcement action.
 4. For leases already in holdover, notification will be sent to the lessee that if an application for a new lease is not received within six months, then the lessee will not be considered to be negotiating in good faith and that the lease will no longer be considered to be in holdover, but will instead be considered to be in trespass and that the matter will be turned over to Legal staff and brought before the State Lands Commission for consideration prior to being forwarded to the State Attorney General's Office for trespass and ejectment action.

Summary

There are a significant number of leases that have been in holdover for more than five years. While there are several reasons for this, it is believed that the lack of a defined schedule providing adequate time for notification, lease processing, and follow up is a primary cause. This proposal calls for staff to provide notifications to lessees beginning at least two years prior to expiration and to follow up at six month intervals with increasingly stronger language warning the lessees of the ramifications of going into holdover. Land management staff will then work with Legal staff to pursue any leases that do go into holdover.

MEMORANDUM

To: Land Management Division Staff

Date: November 2, 2010

File: LMD Memos

From: Brian Bugsch, Chief
Land Management DivisionSubject: **Holdover Reduction Procedures**

The Land Management Division (LMD) has been directed to establish a new procedure or procedures to prevent leases from going into holdover at the end of their lease terms. At present, there are approximately 130 *rent-generating* leases currently in holdover and many more *rent-free* leases in holdover. Many of these leases have been in holdover for a number of years. There are several reasons for this, including staffing. One possible way to prevent leases from going into holdover is to notify the lessee earlier and on a regular, more frequent schedule of the pending expiration of their lease.

Following are new notification procedures for LMD staff and management to follow to address the holdover issue. The procedures are based on two categories of leases: significant leases and routine leases. The categories are described below.

Significant Leases – These are leases that generate \$10,000 or more in annual rent, involve a large lease area, unique location, extensive improvements or infrastructure, environmentally sensitive lands or habitat, may require comprehensive CEQA review, or have any other potentially significant or controversial characteristics. These are in the category of General Lease – Industrial Use, Right-of-Way Use, Commercial Use, or Recreational Use. The facilities covered by these types of leases include marine-oil terminals, industrial wharves, commercial marinas, and pipeline and fiber optic rights of way.

Routine Leases – These are essentially all non-significant leases. This category may include leases with annual rents less than \$10,000 and rent-free leases. Routine rent-paying leases may include General Leases for small commercial marinas, recreational uses, and grazing leases. Rent-free leases include recreational pier leases, public agency leases, dredging leases, and some general leases for recreational uses.

In addition to the notification procedures for significant and routine lease, there is also an early notification procedure for significant leases. The early notification procedure is intended to occur at the time of the final five-year rent review period of the existing lease. The notification procedures are described below.

Identification & Early Notification of Significant Leases (2-Year Notification)

1. Regional Managers and clerical staff will identify existing "significant leases" in the lease database (ALID):
2. Clerical staff will determine the expiration dates of these leases and also the date of the last five-year rent review. Clerical staff will transmit the results of this search to the team leaders.
3. Regional Managers will direct clerical staff to identify and "tickle" those significant leases whose last five-year rent reviews are upcoming. At the time of the five-year rent review, clerical staff will pull the lease file and the team leader will assign it to a Public Land Management Specialist (PLMS). The PLMS will then transmit a letter intended to ascertain the intent of the lessee at the end of the lease. The letter will encourage the lessee to start the lease renewal process as soon as possible in order to complete the lease application, prepare the appropriate CEQA document, and begin any other permitting processes prior to expiration of the lease.
4. Going forward, all future significant leases will add a provision in Section 2 (Special Provisions) of the lease requiring the lessee to submit an application for renewal no later than two years prior to the expiration of the lease or submit a plan to restore the lease premises prior to the expiration of the lease.

2-Year Notification of Significant Leases

1. Notwithstanding the above notification process, clerical staff will query the ALID database on a monthly basis to identify those significant leases expiring in two years. The search parameters will be lease expiration date and the time frame will be 27 months (or two years and three months) in advance (i.e., if the search is conducted in September of 2010, then the ending search date will be December 2012). This three month cushion will allow time for staff to send a letter to the lessee and for the lessee to submit an application two years prior to the lease expiration. Successive monthly searches need be only for the additional month at the end of the 27 month search period.
2. Clerical staff will compile the results of the ALID search into a list that includes the annual rent and transaction code (type of lease issued). Clerical staff shall then forward the list to the Regional Managers and copy the Assistant Division Chief and Division Chief.
3. The Regional Managers shall review the list and direct clerical staff to pull the significant lease files. Clerical staff shall then pull the files as soon as possible.

4. Clerical staff shall prepare and attach a checklist to the lease file with the date when the file was pulled. The checklist shall also include the dates that the notification letters need to be sent and the dates when they actually were sent.
5. The Regional Managers shall assign the significant lease files to staff negotiators (PLMS) as soon as possible after the files are pulled. The PLMS will send notification letters, as necessary, to the Lessee on the following schedule:
 - a) *Initial written notification (As soon as PLMS receives lease file. Approximately 27 months prior to expiration).* The intent of this notification is to request the lessee to submit an application for a new lease at the earliest possible opportunity in order to allow enough time for application processing and environmental review, especially if an EIR is required. In this first letter, staff shall *remind* the lessee of the holdover provision in their lease, which states that the continued occupancy of the lease premises "shall be on the terms, covenants, conditions, of this Lease", which allows the Lessor to modify the annual rent pursuant to the Consideration provision in the lease or increase the existing rent by 25 percent.
 - b) *Second written notification (18 months prior to expiration).* The intent of this notification is to provide a reminder to the lessee to submit an application or to schedule a pre-application meeting or otherwise inform staff of lessee's intentions (i.e., new lease or vacate lease premises). At this time, staff shall *inform* the lessee that rent during holdover will be based on either a new appraisal pursuant to the Consideration provision of the existing lease or the Holding-Over provision (25 percent increase) in Section 4 of the lease.
 - c) *Third written notification (12 months prior to expiration).* The intent is to notify lessee that it might not be possible to process new application prior to expiration of the lease and reminder that lessee will need to either submit an application for a new lease or prepare and submit a plan to vacate the lease premises upon expiration of the lease. The PLMS shall coordinate with the Accounting Unit to include in the last billing from Accounting a notification that if the lease goes into holdover, then under the terms of the lease, the lessee's next annual billing may include a 25% holdover fee or be based on a reappraisal of the property. This notification shall also state that the acceptance by the Lessor of the prior annual rental amount represents acceptance of a partial rent and does not preclude Lessor's right to collect additional rent over that amount, based on either the 25% holdover fee or the reappraised annual rent.

In each notification, lessee will be advised that if an application is not submitted by the lease expiration date, then the lessee may be deemed to be in trespass and the matter may be brought before the State Lands Commission for consideration prior to being forwarded to the State Attorney General's Office for review and enforcement action.

6. The Regional Managers shall meet with the Assistant Division Chief and Division Chief on a monthly basis to discuss the prioritization and status of the pulled significant leases and the leases already in holdover.

1-Year Notification of Routine Leases

1. The notification procedure for routine will be substantially similar to the notification procedure for significant leases, except on a shorter timeline.
2. Clerical staff will query the ALID database on a monthly basis to identify the non-significant leases expiring in 12 months. Successive monthly searches need be only for the additional month at the end of the initial search period.
3. Clerical staff will compile the results of the ALID search and then pull the files as soon as possible.
4. Clerical staff will prepare and attach a checklist to the lease file with the date when the file was pulled. The checklist will also include the dates that the notification letters need to be sent and the dates when they actually were sent.
5. The Regional Managers shall assign the lease files to staff negotiators (PLMS) as soon as possible after the files are pulled. The PLMS will send notification letters, as necessary, to the Lessee on the following schedule:
 - a) *Initial written notification (As soon as PLMS receives lease file).* The intent of this notification is to request the lessee to submit an application for a new lease at the earliest possible opportunity in order to allow enough time for application processing and environmental review, especially if an EIR is required. For all leases with annual rent, staff shall *remind* the lessee of the holdover provision in their lease, which states that the continued occupancy of the lease premises "shall be on the terms, covenants, conditions, of this Lease", which allows the Lessor to modify the annual rent pursuant to the Consideration provision in the lease or increase the existing rent by 25 percent.
 - b) *Second written notification (9 months prior to expiration).* The intent of this notification is to provide a reminder to the lessee to submit an application or to schedule a pre-application meeting or otherwise inform staff of lessee's intentions (i.e., new lease or vacate lease premises). At this time, staff shall *inform* those lessees paying annual rent that the rent during holdover will be based on either a new appraisal pursuant to the Consideration provision of the existing lease or the Holding-Over provision (25 percent increase) in Section 4 of the lease.
 - c) *Third written notification (6 months prior to expiration).* The intent is to notify lessee that it might not be possible to process new application prior to expiration of the lease and reminder that lessee will need to either submit an

application for a new lease or prepare and submit a plan to vacate the lease premises upon expiration of the lease. For rent-paying leases, the PLMS shall coordinate with the Accounting Unit to include in the last billing a notification that if the lease goes into holdover, then under the terms of the lease, the lessee's next annual billing may include a 25% holdover fee or be based on a reappraisal of the property. This notification shall also state that the acceptance by the Lessor of the prior annual rental amount represents acceptance of a partial rent and does not preclude Lessor's right to collect additional rent over that amount, based on either the 25% holdover fee or the reappraised annual rent.

6. The Regional Managers shall meet with the Assistant Division Chief and Division Chief on a monthly basis to discuss the prioritization and status of the routine leases and the leases already in holdover.

Summary of Holdover Procedure Timelines

Activity	Significant Leases	Routine Leases
Search lease database	27 months out	1 year out
Search frequency	Monthly	Monthly
Initial notification	27 mos. prior to expiration	12 mos. prior to expiration
2 nd notification	18 mos. prior to expiration	9 mos. prior to expiration
3 rd notification	12 mos. prior to expiration	6 mos. prior to expiration
Status Meetings with Mgmt.	Monthly	Monthly

Additional Instructions

For leases already in holdover, notification will be sent to the lessee that if an application for a new lease is not received within six months, then the lessee will not be considered to be negotiating in good faith and that the lease will no longer be considered to be in holdover, but will instead be considered to be in trespass and that the matter will be turned over to Legal staff and brought before the State Lands Commission for consideration prior to being forwarded to the State Attorney General's Office for trespass and ejectment action.

Exhibit D

Cindy Cano

From: Brian Bugsch
Sent: Tuesday, November 02, 2010 10:08 AM
To: LMD
Cc: Paul Thayer; Curtis Fossum; Dave Brown
Subject: New Holdover Reduction Procedure
Attachments: Holdover Reduction Procedure Memo to LMD Staff - 110210.docx

Staff,

Attached is a new holdover reduction process that Colin and I are establishing for LMD staff. The goal of this new procedure is to try and reduce the number of leases (specifically those significant leases) that go into holdover status and the length of time that those leases remain in holdover. Everyone should read and be familiar with the process, but it will primarily impact clerical staff, negotiators and managers. The policy is effective immediately on a going-forward basis. Cindy is out today, but she will be scheduling a meeting with clerical staff in the next week to go over this and answer questions. We will also be scheduling an all-LMD meeting next week where we can answer questions regarding these new procedures. If, after reviewing the memo, we feel there is a need for other meetings to clarify the new procedure, we can schedule those meetings at the appropriate time.

Thanks.

Brian.

Brian Bugsch
Chief, Land Management Division
California State Lands Commission
(16) 574-1833
brian.bugsch@slc.ca.gov

In response to the Governor's Executive Order S-12-10, the Commission's offices will be closed on the second, third and fourth Fridays of each month after that until, as stated by the Governor's order: "a 2010-11 fiscal year budget is in place and the Director of the Department of Finance determines that there is sufficient cash to allow the State to meet its obligations to pay for critical and essential services to protect public health and safety and to meet its payment obligations protected by the California Constitution and federal law."

Routing Form

Routine Leases

File No. _____

Lease Expiration Date _____

<u>Action</u>	<u>Date</u>	<u>Initials</u>
<input type="checkbox"/> Support staff pulls lease file	_____	_____
<input type="checkbox"/> File forwarded to Team Leader/Manager	_____	_____
<input type="checkbox"/> File forwarded to Negotiator	_____	_____
<input type="checkbox"/> 1 st notice (12 months) sent to Lessee (including Lease Application)	_____	_____
<input type="checkbox"/> 2 nd notice (9 months) sent to Lessee	_____	_____
<input type="checkbox"/> 3 rd notice (6 months) sent to Lessee	_____	_____
<input type="checkbox"/> Notice sent to Accounting (at least 3 months prior to lease expiration)	_____	_____
<input type="checkbox"/> Stop billing*		
<input type="checkbox"/> Monthly holdover rent based on 25% holdover provision		
<input type="checkbox"/> Monthly holdover rent based on new appraisal		

* The stop billing notice to Accounting is intended to be sent only when the lessee is unresponsive to the three notices or when there is reason to believe that the Commission staff may want to recommend trespass action.

<input type="checkbox"/> Notice of new holdover rent sent to Lessee (at least 1 month prior to lease expiration)	_____	_____
<input type="checkbox"/> Notice of pending trespass sent to Lessee (at least 1 month prior to lease expiration)	_____	_____
<input type="checkbox"/> Date Lessee responded	_____	_____

Notes:

Routing Form

Significant Leases

File No. _____

Lease Expiration Date _____

<u>Action</u>	<u>Date</u>	<u>Initials</u>
<input type="checkbox"/> Support staff pulls lease file	_____	_____
<input type="checkbox"/> File forwarded to Team Leader/Manager	_____	_____
<input type="checkbox"/> File forwarded to Negotiator	_____	_____
<input type="checkbox"/> 1 st notice (27 months) sent to Lessee (including Lease Application)	_____	_____
<input type="checkbox"/> 2 nd notice (18 months) sent to Lessee	_____	_____
<input type="checkbox"/> 3 rd notice (12 months) sent to Lessee	_____	_____
<input type="checkbox"/> Notice sent to Accounting (at least 3 months prior to lease expiration)	_____	_____
<input type="checkbox"/> Stop billing*		
<input type="checkbox"/> Monthly holdover rent based on 25% holdover provision		
<input type="checkbox"/> Monthly holdover rent based on new appraisal		

* The stop billing notice to Accounting is intended to be sent only when the lessee is unresponsive to the three notices or when there is reason to believe that the Commission staff may want to recommend trespass action.

<input type="checkbox"/> Notice of new holdover rent sent to Lessee (at least 1 month prior to lease expiration)	_____	_____
<input type="checkbox"/> Notice of pending trespass sent to Lessee (at least 1 month prior to lease expiration)	_____	_____
<input type="checkbox"/> Date Lessee responded	_____	_____

Notes:

MEMORANDUM

To: LMD Staff

Date: March 1, 2011

File: LMD Procedures

From: Colin Connor *CC*
Assistant Chief, LMDSubject: **Lease Expiration Notification Letters**

As you know, LMD Management sent out a memo on November 2, 2010 detailing a new procedure to follow to prevent leases from going into holdover at the end of their lease terms (attached is a pdf copy of that memo). As discussed in the memo, there will be a series of three notification letters sent out for both routine and "significant" leases. Generally speaking, the letters are intended to notify the lessee about the upcoming expiration of their lease and encourage a prompt response. The form letters have been prepared and are located in the G:\LmdForms folder as:

LTR_Application Notice (Routine Leases) – 12 Month Notification LTR
LTR_Application Notice (Routine Leases) – 9 Month Notification LTR
LTR_Application Notice (Routine Leases) – 6 Month Notification LTR

and

LTR_Application Notice (Significant Leases) – 27 Month Notification LTR
LTR_Application Notice (Significant Leases) – 18 Month Notification LTR
LTR_Application Notice (Significant Leases) – 12 Month Notification LTR

Please begin using the letters as soon as possible. If you have any questions, please contact your supervisor.

CALIFORNIA STATE LANDS COMMISSION

100 Howe Avenue, Suite 100-South
Sacramento, CA 95825-8202

**CURTIS L. FOSSUM, Executive Officer**

(916) 574-1800 FAX (916) 574-1810

California Relay Service from TDD Phone **1-800-735-2929**

from Voice Phone **1-800-735-2922**

Contact Phone: (916) 574-

Contact FAX: (916) 574-

(Date)

File Ref: PRC _____
12 month or Third Notice

SUBJECT: General Lease-_____ Use, for use of State _____ Land, for a
_____, Located at _____, _____ County

Dear:

This letter is a third notice to you that the California State Lands Commission (Commission) has not received a lease application for the above referenced General Lease No. PRC _____, which will expire on _____. Staff sent you the attached letter with a lease application on _____ and a second reminder on _____. You will need to obtain a new lease from the Commission prior to the expiration of this lease. If you have different plans for the lease premises or do not intend to continue to use the lease premises, we request that you set up a meeting with staff as soon as possible to discuss your proposed plan or the final removal and restoration of the lease premises.

If your lease is subject to annual rent, pursuant to Section 4, Paragraph 14 (Holding-Over), any holdover period beyond the expiration of the lease allows for an increase in the existing annual rent by 25 percent or allows for modification of the annual rent pursuant Section 4, Paragraph 2 (Consideration) during the holdover period.

We would like to remind you again that if a lease application is not received by the expiration date of the lease and you continue to occupy the subject lands, then you may be deemed to be in trespass and an enforcement action may be brought before the Commission for its consideration.

Page 2

We would appreciate your assistance in this matter and urge you to submit a lease application as soon as possible. If you have any questions, please contact email me at _____ or call me at (916) 574- .

Sincerely,

Name
Public Land Management Specialist

Enclosure

cc: Accounting

CALIFORNIA STATE LANDS COMMISSION

100 Howe Avenue, Suite 100-South
Sacramento, CA 95825-8202

**CURTIS L. FOSSUM, Executive Officer**

(916) 574-1800 FAX (916) 574-1810
California Relay Service from TDD Phone **1-800-735-2929**
from Voice Phone **1-800-735-2922**

Contact Phone: (916) 574-**Contact FAX: (916) 574-**

(Date)

File Ref: PRC _____
9 month or Second Notice

SUBJECT: General Lease-_____ Use, for use of State _____ Land, for a
_____, Located at _____, _____ County

Dear:

This letter is a reminder that the California State Lands Commission (Commission) has not received a lease application for the above referenced General Lease No. PRC _____ which will expire on _____. Staff sent you the attached letter with a lease application on _____. You will need to obtain a new lease from the Commission prior to the expiration of this lease. If you have different plans for the use of the lease premises, or do not intend to continue to use the lease premises, then we request that you set up a meeting with staff as soon as possible to discuss your proposed plan or the final removal and restoration of the lease premises.

If your lease is subject to annual rent, pursuant to Section 4, Paragraph 14 (Holding-Over), any holdover period beyond the expiration of the lease allows for an increase in the existing annual rent by 25 percent or allows for modification of the annual rent pursuant Section 4, Paragraph 2 (Consideration) during the holdover period.

We would like to remind you that if a lease application is not received by the expiration date of the lease and you continue to occupy the subject lands, then you may be deemed to be in trespass and an enforcement action may be brought before the Commission for its consideration.

We appreciate your cooperation and assistance in this matter and look forward to working with you. If you have any questions, please feel free to email me at _____ or call me at (916) 574-_____.

Sincerely,

Exhibit F

Name

Public Land Management Specialist

Enclosure

cc:

CALIFORNIA STATE LANDS COMMISSION

100 Howe Avenue, Suite 100-South
Sacramento, CA 95825-8202

**CURTIS L. FOSSUM, Executive Officer**

(916) 574-1800 FAX (916) 574-1810

California Relay Service from TDD Phone **1-800-735-2929**from Voice Phone **1-800-735-2922****Contact Phone: (916) 574-****Contact FAX: (916) 574-**

(Date)

File Ref: PRC _____
6 month or Third Notice

SUBJECT: General Lease-_____ Use, for use of State _____ Land, for a
_____, Located at _____, _____ County

Dear:

This letter is a third notice to you that the California State Lands Commission (Commission) has not received a lease application for the above referenced General Lease No. PRC _____, which will expire on _____. Staff sent you the attached letter with a lease application on _____ and a second reminder on _____. You will need to obtain a new lease from the Commission prior to the expiration of this lease. If you have different plans for the use of the lease premises, or do not intend to continue to use the lease premises, then we request that you set up a meeting with staff as soon as possible to discuss your proposed plan or the final removal and restoration of the lease premises.

If your lease is subject to annual rent, pursuant to Section 4, Paragraph 14 (Holding-Over), any holdover period beyond the expiration of the lease allows for an increase in the existing annual rent by 25 percent or allows for modification of the annual rent pursuant Section 4, Paragraph 2 (Consideration) during the holdover period.

We would like to remind you again that if a lease application is not received by the expiration date of the lease and you continue to occupy the subject lands, then you may be deemed to be in trespass and an enforcement action may be brought before the Commission for its consideration.

Page 2

We would appreciate your assistance in this matter and urge you to submit a lease application as soon as possible. If you have any questions, please contact email me at _____ or call me at (916) 574- .

Sincerely,

Name
Public Land Management Specialist

Enclosure

cc: Accounting

CALIFORNIA STATE LANDS COMMISSION

100 Howe Avenue, Suite 100-South
Sacramento, CA 95825-8202

**CURTIS L. FOSSUM, Executive Officer**

(916) 574-1800 FAX (916) 574-1810

California Relay Service from TDD Phone **1-800-735-2929**

from Voice Phone **1-800-735-2922**

Contact Phone: (916) 574-

Contact FAX: (916) 574-

(Date)

File Ref: PRC _____
27 month or First Notice

SUBJECT: General Lease-_____ Use, for use of State _____ Land, for a
_____, Located at _____, _____ County

Dear:

A review of our records indicates that the above referenced General Lease No. PRC _____ will expire on _____. If you still intend to occupy or use the lands in question, you will need to obtain a new lease from the State Lands Commission (Commission) prior to the expiration of this lease.

Enclosed is the Commission's lease application. We strongly encourage you to submit an application as soon as possible to allow sufficient time to complete the application process, conduct the required environmental review, and negotiate a new lease. The lease application is also available on our website at www.slc.ca.gov.

Please complete all sections of the application and return it to me, along with an application processing fee in the amount of \$ _____, which is the estimated Minimum Expense Deposit plus an additional \$25 Filing Fee, made payable to the State Lands Commission. The Commission is required to recover all costs associated with processing the lease. The Filing Fee and Minimum Expense Deposit must be submitted with the application. Upon receipt of your application and fees, you will be provided a reimbursement agreement. An executed reimbursement agreement to cover the Commission staff cost to process this transaction is required as part of a complete application.

In addition to the items requested above, please provide the following information with your application:

1.

Page 2

After review of the submitted application, you may need to provide supplemental information and/or additional clarification as the application process progresses as required by law and the Commission's application requirements.

If your lease is subject to annual rent, pursuant to Section 4, Paragraph 14 (Holding-Over), any holdover period beyond the expiration of the lease allows for an increase in the existing annual rent by 25 percent or allows for modification of the annual rent pursuant Section 4, Paragraph 2 (Consideration) during the holdover period.

We would like to bring to your attention that if a lease application is not received by the expiration date of the lease, then you may be deemed to be in trespass and an enforcement action may be brought before the Commission for consideration.

We appreciate your cooperation in this matter and look forward to receiving your application. If you have any questions, please feel free to email me at _____ or call me at (916) 574- .

Sincerely,

Name
Public Land Management Specialist

Enclosure

cc:

CALIFORNIA STATE LANDS COMMISSION

100 Howe Avenue, Suite 100-South
Sacramento, CA 95825-8202

**CURTIS L. FOSSUM**, Executive Officer

(916) 574-1800 FAX (916) 574-1810

California Relay Service from TDD Phone **1-800-735-2929**from Voice Phone **1-800-735-2922****Contact Phone: (916) 574-****Contact FAX: (916) 574-**

(Date)

File Ref: PRC _____
18 month or Second Notice

SUBJECT: General Lease-_____ Use, for use of State _____ Land, for a
_____, Located at _____, _____ County

Dear:

This letter is a reminder that the California State Lands Commission (Commission) has not received a lease application for the above referenced General Lease No. PRC _____ which will expire on _____. Staff sent you the attached letter with a lease application on _____. If you intend to occupy or use the lands in question, you will need to obtain a new lease from the State Lands Commission (Commission) prior to the expiration of this lease. If you have different plans for the use of the lease premises or do not intend to continue to use the lease premises, then we request that you set up a meeting with staff as soon as possible to discuss your proposed plan or the final removal and restoration of the lease premises.

If your lease is subject to annual rent, pursuant to Section 4, Paragraph 14 (Holding-Over), any holdover period beyond the expiration of the lease allows for an increase in the existing annual rent by 25 percent or allows for modification of the annual rent pursuant Section 4, Paragraph 2 (Consideration) during the holdover period.

We would like to remind you that if a lease application is not received by the expiration date of the lease and you continue to occupy the subject lands, then you may be deemed to be in trespass and an enforcement action may be brought before the Commission for its consideration.

We appreciate your cooperation and assistance in this matter and look forward to working with you. If you have any questions, please feel free to email me at _____ or call me at (916) 574-_____.

Exhibit F
Sincerely,

Name
Public Land Management Specialist

Enclosure

cc:

CALIFORNIA STATE LANDS COMMISSION

100 Howe Avenue, Suite 100-South
Sacramento, CA 95825-8202

**CURTIS L. FOSSUM, Executive Officer**

(916) 574-1800 FAX (916) 574-1810

California Relay Service from TDD Phone **1-800-735-2929**from Voice Phone **1-800-735-2922****Contact Phone: (916) 574-****Contact FAX: (916) 574-**

(Date)

File Ref: PRC _____
12 month or First Notice

SUBJECT: General Lease – _____ Use, for use of State _____ Land, for
a _____, Located at _____, _____ County

Dear:

A review of our records indicates that the above referenced General Lease No. PRC _____ will expire on _____. If you still intend to occupy or use the lands in question, you will need to obtain a new lease from the State Lands Commission (Commission) prior to the expiration of this lease.

Enclosed is the Commission's lease application. We encourage you to submit an application as soon as possible to allow sufficient time to complete the application process, conduct any required environmental review, and negotiate a new lease. The lease application is also available on our website at www.slc.ca.gov.

Please complete all sections of the application and return it to me, along with an application processing fee in the amount of \$ _____, which is the estimated Minimum Expense Deposit plus an additional \$25 Filing Fee, made payable to the State Lands Commission. The Commission is required to recover all costs associated with processing the lease. The Filing Fee and Minimum Expense Deposit must be submitted with the application. Upon receipt of your application and fees, you will be provided a reimbursement agreement. An executed reimbursement agreement to cover the Commission staff cost to process this transaction is required as part of a complete application.

In addition to the items requested above, please provide the following information with your application:

1.

Page 2

After review of the submitted application, you may need to provide supplemental information and/or additional clarification as the application process progresses as required by law and the Commission's application requirements.

If your lease is subject to annual rent, pursuant to Section 4, Paragraph 14 (Holding-Over), any holdover period beyond the expiration of the lease allows for an increase in the existing annual rent by 25 percent or allows for modification of the annual rent pursuant Section 4, Paragraph 2 (Consideration) during the holdover period.

We would like to bring to your attention that if a lease application is not received by the expiration date of the lease, then you may be deemed to be in trespass and an enforcement action may be brought before the Commission for its consideration.

We appreciate your cooperation in this matter and look forward to receiving your application. If you have any questions, please feel free to email me at _____ or call me at (916) 574- .

Sincerely,

Name
Public Land Management Specialist

Enclosure

cc:

MEMORANDUM

To: LMD Staff

Date: March 1, 2011

File: LMD Procedures

From: Colin Connor *CC*
Assistant Chief, LMDSubject: **Two-Year Lease Renewal Provision**

Attached is new language to insert into Section 2 of all potentially significant General Leases. Basically, the language requires the Lessee to either submit an application for a new lease or a plan for the restoration of the lease premises at least two years prior to the expiration of the lease term. This language is intended to keep leases from going into holdover by either getting the lease application or the lease termination/abandonment process started earlier than before. It should be used for all leases that involve any of the following: annual rent of \$10,000 or more, large lease area, unique location, extensive improvements or infrastructure, environmentally sensitive lands or habitat, comprehensive CEQA review, or any other potentially significant or controversial characteristics. If you have any questions regarding this provision or when to add it to a lease, please see your supervisor.

Exhibit G

Two-Year Lease Renewal Language (Section 2)

Lessee agrees to submit no later than two years prior to the expiration of this lease either: (a) an application and minimum expense deposit for a new lease for the continued use of the Lease Premises, or (b) a plan for the restoration of the Lease Premises to be completed prior to the expiration of the lease term, pursuant to Paragraph 12 of Section 4, General Provisions, of this Lease. Failure to submit the application and minimum expense deposit or the restoration plan shall be deemed a default of the Lease under Paragraph 11(b) of Section 4, General Provisions, of this Lease.

RENT REVIEW CHECKLIST

- ☐ Review file and lease document, determine last date that notice in change of rent can be sent (60-90-120 days before lease anniversary date)
- ☐ Check if rent is current
- ☐ Check for any change in ownership
- ☐ Check if insurance is current
- ☐ Check if bond is current
- ☐ Send first notice of rent review
Date: _____
- ☐ Calculate rent using all applicable methods:
 - ☐ Benchmark
 - ☐ Land value
 - ☐ CPI
(Do not use CPI to adjust rentals if last agreed rent is a "minimum rent" as set forth in our regulations. Instead, calculate the last land value noted in the last appraisal using the CPI and see if the land value would increase per acre which would thereby increase the rental over the minimum rent (i.e. .335 acre x \$____/acre = \$____x 9% = ____)
 - ☐ Diameter inch per lineal foot (for pipelines)
 - ☐ Linear foot per cable (for fiber optic cables)
 - ☐ Grazing rates
 - ☐ Request appraisal
- ☐ Have ~~b~~Boundary review the exhibit to be used to determine if the exhibit is still valid/appropriate
- ☐ Send second notice of rent revision or continuation, which must be _____ days notice prior to effective date
Date: _____
- ☐ Send notice of approved rent after Commission meeting
Date: _____

Exhibit H

Cindy Cano

From: Grace Kato
Sent: Monday, April 25, 2011 4:08 PM
To: Donn Oetzel; Drew Simpkin; Spencer Paschall; Kenneth Foster; Michelle Anderson
Cc: Mary Hays; Ninette Lee; Colin Connor; Brian Bugsch; Cindy Cano; Irma Toledo
Subject: Rent Review Checklist
Attachments: RENT REVIEW CHECKLIST update 4-25-2011.doc

Hi all...I was advised by Steve with Boundary that we will need to have the exhibits reviewed by boundary for rent reviews. I have added this component to the rent review checklist. At this time this checklist is under the G:LMD/SCR SF BAY since the LMD forms does not allow me to update the form there.

Cindy:

If you could take this form and put it in the LMD forms it would be great. Thanks!

Grace

Grace Kato
Public Land Manager - So CA/SF Bay
CA State Lands Commission
100 Howe Avenue, Ste 100-S
Sacramento, CA 95825
(916) 574-1227
(916) 708-8059 cell

Finalled 7/27/11

PROCEDURES FOR TRACKING LEASES SIGNIFICANT AND REGULAR

Pull Leases

When leases are pulled, clerical staff will attach a copy of the routing form for Lease Renewal with the significant dates for negotiators to send a letter, etc. When Management assigns leases to negotiators, clerical staff will then log them into their respective work logs, located on the "G" drive. Files are located under each team's names: **SCR/SF BAY/Granted Lands** and **LRNC/Delta/School Lands**.

LOG

The logs already existed for regular leases and clerical staff modified them, adding columns for:

- Expiration date
- Date assigned to Negotiator
- First letter *27/12 MONTHS*
- Tickle – 18/9 months
- Second letter – 18/9 months
- Third letter – 12/6 months
- Date application was received

REMINDERS

Clerical staff has not yet set up automatic "tickle" or "pend" settings because it's not possible in MS Outlook. Our manual tickle files will be for checking dates of letters and reminding negotiators of the need to send out subsequent letters. Letters will be sent by either the clerical staff or the negotiator, to be determined by Supervisors.

LEASES WITH OVER \$10,000 RENT (SIGNIFICANT LEASES)

These leases are considered "**High Priority**" and will be highlighted in the work logs for faster reference. Clerical staff prefers to keep the Significant Leases listed in their regular lease logs for a more efficient system.

Attachment

negotiator	WO #	PRC #	Type*	Lessee name	County	Exp. Date	Assgnd	1st	tkcl	2nd	3rd	app	To Title	Opening
Caldwell	is queries to	to	to	to	STANISLAUS	3/15/30					12/6m.	rcv'd		to acct
Caldwell	rev-1733677	se -GL; recipier - RPL; Culloty (Sandy Beach	UA	Copeland	str use - PSU; pub agency	PAU; assign - A ; amend -AM								6 Letter
Caldwell		5126		Derizzo	sac	#####		X	X	X	X	3/18/11	3/25/11	24010
Caldwell		5882		Dodge (Sandy Beach		6/30/00								
Caldwell		1725	LE	Dupont/outfall pipeline		5/1/05								
Caldwell		8580	VIOLATION	DUSA	SAC	11/30/14								14004
Caldwell		5990.9	LE	EDWARDS pilings	SOLANO	4/28/91								5 Letters
Caldwell		5166.1	New	ELKHORN MARINA	YOLO	6/30/15								5 Letters
Caldwell		5794.1	no	FEA (sandy beach	SOLANO	12/31/95						4/22/08		21007
Caldwell		8222.9		Finn		8/31/10								
Caldwell		2841	le	Fish & Game		2/26/11								
Caldwell		2887	le	Fish & Game		5/23/11								
Caldwell		3200	info	Four Seasons Marina (pilings only		11/6/22								
Caldwell		3528		Frontier Comm/Citizens-cables		cu+1								
Caldwell		1589.1	GL-Ind.	GP Gypsum	C. COSTA	11/30/00								14400
Caldwell		6970.1	LE	HALL	CONTRA COST	3/31/06								6 Letters
Caldwell		5697.9	N.O.	Harmatz	sac	9/25/15		X	X	X	X	3/17/11	3/25/11	23910
Caldwell	new		new	Hovey										
Caldwell			UA	Huges, Gilmore										
Caldwell		UA		HURLEY	S. JOAQUIN									3 Letters
Caldwell		7536	AM	JONES/WEEKLEY Sandy Beach	SOLANO	2/13/11								17103
Caldwell	&new	8371.9		Kaprielan	Sac	1/31/12								
Caldwell		5351.9	LE	KELLY	SAC	2/28/02								
Caldwell		6849.9	LE	KENNEDY	SAC	11/7/04								
Caldwell				kinder morgan /sfpp master										23103
Caldwell		5439	le	lease/&8214/8486	various	12/31/97								19905
Caldwell		5935.9	LE	KNEELAND	SAC	12/11/00								
Caldwell		2049.9	RR	KOKET dale dom	SAC	12/17/12								
Caldwell		5782		Lamoree - Sandy Beach	Solano	10/31/33								
Caldwell		8385.9		Landi, David		3/31/12								
Caldwell		5944	LE/n.o.	Lewis Orchards (flint brayton old)		12/9/05								
Caldwell		2854	le	Libby Owens Ford Glass		2/21/11								
Caldwell		5210.1	Title	Settle	SAC	12/31/30								
Caldwell		8630	rr	Lund, Danny	sac	7/31/15								
Caldwell		UA		LYNN	SAC									
Caldwell		5699.9	no	Madderra, Donald (old Dold)	sac	9/30/14								3 Letters
Caldwell		5376	LE	MENCARINI	SAC	11/09							9/22/08	10/2/08
Caldwell		4812.1	RR	Metro Marina (Glidewell)		8/31/12								5708
Caldwell		6702	rr	Middle River Ski Club		6/30/13		3/11/11		(8/11/11	(2/13/12			
Caldwell		8275.1	RR	Montezuma Wetlands		12/31/20								
Caldwell		5347	le	Morgan/Wahl - Sandy Beach		12/31/87								
Caldwell		5127	LE	Morris, Michael & Gail		5/25/11								
Caldwell		6726.1	RR	New Hope Landing		6/30/20								
Caldwell		2952	status?	NICK										
Caldwell		7076	reconst.	Obrien, Tim		5/1/15								
Caldwell		6053	le/ N.O.	Orosz, John		5/27/17								
Caldwell		3934.1	legal issue	Outrigger Marina	Sac	1/9/02								
Caldwell		3885	rr	Pappalardo	SAC	4/24/13	court case pending			HOLD				
Caldwell		2854	AM	Pilkington		2/2/26								
Caldwell		6902.9	N.O.	Pregent, Laura (Ahlstrom - old)	SJ	2/26/11							3/7/11	3/16/11
Caldwell	W 3650			Prestor - Sandy Beach	Solano	10/22/15								19810
														24706

State of California

State Lands Commission

Memorandum

Date: August 11, 2011

To: Brian Bugsch, Chief *RBB*
Land Management Division

From: Larry Bellucci
Public Land Management Specialist
Appraisal Section, LMD

Subject: Benchmark Update
General Permit – Recreational Use
San Francisco Bay Area

As requested, I have updated the benchmark for General Permit – Recreation Use for the San Francisco Bay Area. The benchmark was last updated by staff of the California State Lands Commission (CSLC) in 1992. The current update follows essentially the same methodology as used in the prior benchmark. Reference is made to the 1992 study for additional background material that may be needed for the reader to more fully understand what the benchmark is used for and how it is set.

The recommended benchmarks are summarized in the following tables with the 1992 benchmarks.

1992 SAN FRANCISCO BENCHMARK SUMMARY	
Land Value (Per Acre)	\$66,792
Rental Rate (Per Sq. Ft.)	\$0.138

2011 SAN FRANCISCO BENCHMARK SUMMARY	
Land Value (Per Acre)	\$80,344
Rental Rate (Per Sq. Ft.)	\$0.166

It should be noted that this research does not constitute an appraisal as defined by either the Uniform Standards of Professional Appraisal Practice (USPAP) or the Appraisal Institute. Rather, this research represents a correlation of a range of market rents into a single annual lease rate to be used as the benchmark for the San Francisco Bay area. The research is intended to be used by CSLC staff in negotiations with lessees.

Introduction

General Permit – Recreational Use leases are typically issued by the California State Lands Commission (CSLC) for those private docks and piers that do not qualify for a

rent-free recreational pier lease. These privately-owned facilities offer many of the same amenities as a commercial marina, such as a place for boat storage or the loading and unloading of equipment and passengers.

Because such privately-owned facilities are a substitute for a commercial marina slip, the method of valuation used in estimating a fair return and a fair rental value in this analysis is based on what an individual would pay for a comparable substitute site in a commercial marina. The real estate principle that this method of valuation is based upon is known as the "Principle of Substitution".

According to the Principle of Substitution, as defined by the American Institute of Real Estate Appraisers, "An individual will not pay more for one property than another of equal utility and desirability".

Since a State Lands Commission lease site for a privately-owned pier or dock is a fairly good substitute for a marina slip, the lessee of the state land should pay an equivalent amount for the leased site as the State would receive for leasing the land to a commercial marina.

Scope

The scope of the research included the following:

- Identifying marinas in the San Francisco Bay area.
- Surveying the marinas as to the number of berths/slips, occupancy rate, mooring sizes and rates.
- Compiling the survey results into averages for slip size and rate.
- Using the Layout and Design Guidelines for Marina Berthing Facilities publication (July 2005) from the State Department of Boating and Waterways to determine the amount of submerged land area necessary to accommodate a given berthing size.
- Calculating the annual rental rate(s) using the above information and State valuation guidelines.

The research conducted resulted in the 33 marinas identified on the attached spreadsheet. The marinas surveyed did not include four private yacht clubs, three marinas which currently do not berth any boats and three marinas which repeatedly did not return phone calls. Information collected from these 33 marinas was then used to establish fair market rental rates for General Permit – Recreational Use leases for the San Francisco Bay Area of California. While not comprehensive, this survey is believed to be representative of marinas in the study area.

Methodology

To determine the value of the site, it is necessary to determine: what income can typically be generated by a commercial marina; the area occupied by a marina slip in a

well designed marina; what the rental charge would be for a boat (average size); and the rate of return the State should receive for the use of its land.

The CSLC typically charges five percent (5%) to seven percent (7%) of gross income for boat berthing for sites in Northern California leased to commercial marina operators, with most of the leases set at five percent (5%) of gross income.

The CSLC has an administratively set rate of return of nine percent (9%) of appraised value.¹

Berth/Slip Rent

The survey found that average berth size in the San Francisco Bay area is approximately 36 linear feet. By contrast, a 30-foot length was used in the 1992 San Francisco Benchmark Update; however, this length represented a statewide average and was not specific to the San Francisco Bay area.

Berthing rates are reported on a per lineal foot basis. For all of the above listed areas, the berthing rate, based on data collected, ranged from \$5.50 to \$13.00 per linear foot with an average of \$8.53 per lineal foot.

Rates have been converted to a per square foot basis for use by the CSLC in determining lease amounts based on the administratively set rate of return of 9% of appraised value.

The benchmark rental rate for berths is calculated by multiplying the average berth length by the average rental rate. This product is then multiplied by 12 months to arrive at the gross annual income. The gross annual income is multiplied by 5% to get the income attributable to the submerged land. The income attributable to the submerged land is then divided by the amount of submerged land needed to accommodate the average berth length within a marina.

The submerged land area needed to accommodate an average berth is found in a publication entitled "Layout and Design Guidelines for Marina Berthing Facilities" published by the State Department of Boating and Waterways. This publication provides formulas and tables for calculating the submerged land area needed to accommodate various sizes and layouts of berths in marinas. Among other variables, the formulas take into account the berth length, berth layout (single vs. double), and the type of vessel (powerboat vs. sailboat). The submerged land area used in this benchmark analysis is based on a double berth layout (on the premise that it was the most economically efficient for the marina operator) and represents an average of the powerboat and sailboat areas.

¹ Per the California Code of Regulations, Title 2, Division 3, Chapter 1, Article 2, Section 2003 Rental.

Exhibit J

From the tables in the publication, a submerged area of 1,109 square feet is shown as being necessary to accommodate the 36-foot average slip length indicated by the survey.

Taking all of the aforementioned into account, the current benchmark rental rate and land value for the San Francisco Bay Area is calculated as follows:

San Francisco Bay Area:

- Average berth rate: \$8.53
- Average boat length: 36 linear feet
- Submerged land area necessary to accommodate a typical boat slip: 1,109 SF
- CSLC administratively set rate of return: nine percent (9%)

$$36' \times \$8.53/\text{linear foot} \times 12 \text{ months} = \$3,684.96$$

$$\$3,684.96 \times .05 = \$184.25$$

$$\$184.25/1,109 \text{ square feet} = \$0.166$$

$$\$0.166/\text{square foot} \times 43,560 = \$7,231 \text{ rent/acre}$$

$$\$7,231/.09 = \$80,344/\text{acre (or } \$1.84/\text{square foot)}$$

Benchmark Rental Rate =

\$0.166/sq. ft.

Benchmark Land Value =

\$80,344 per acre

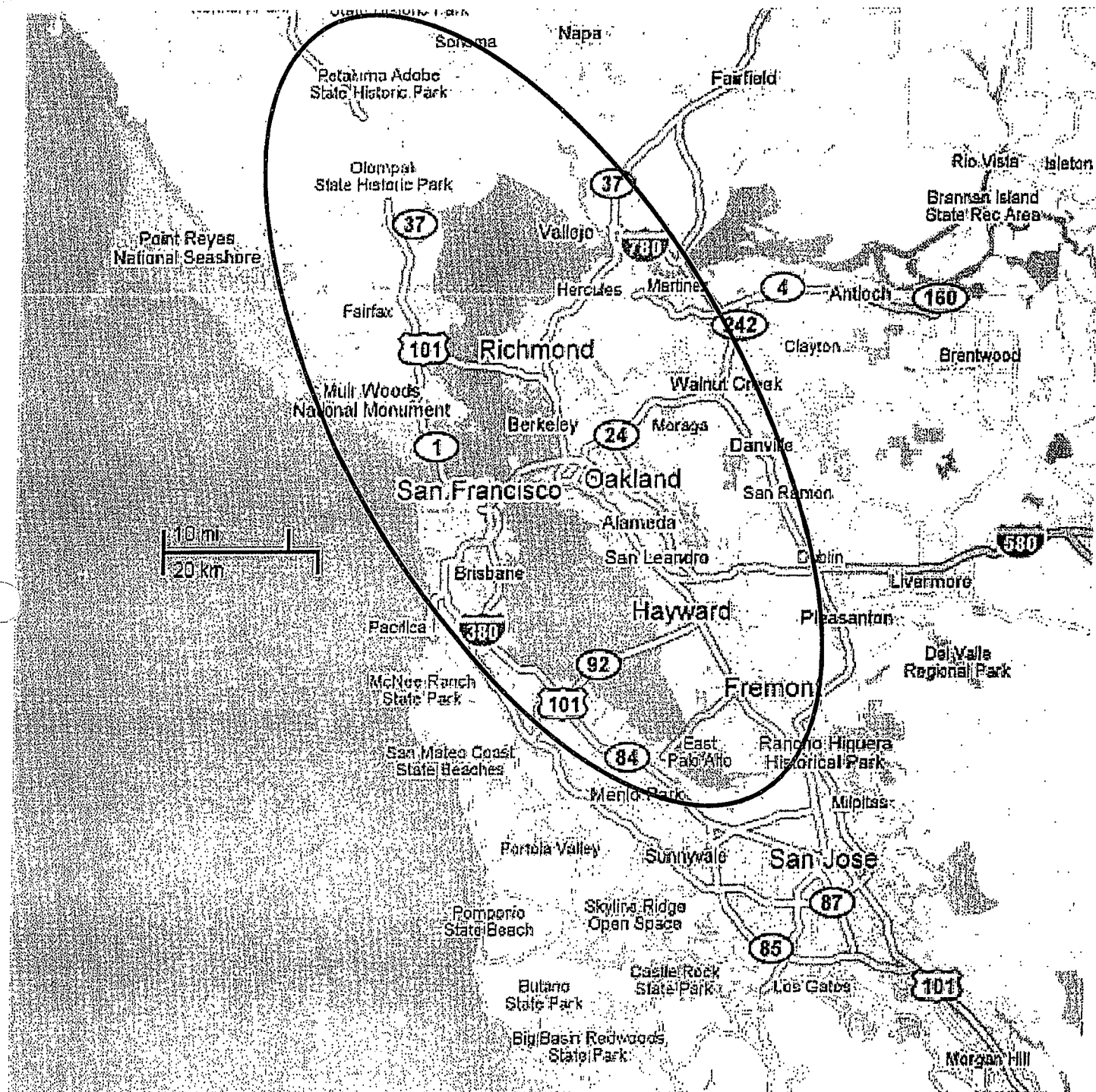
The indicated benchmark rental rate for the San Francisco Bay area is \$0.166 per square foot. By contrast, the 1992 benchmark was \$0.113 per square foot. The new benchmark therefore represents an overall increase of just over 5 cents (\$0.053) per square foot between the two benchmarks. However, the two benchmarks are not directly comparable. The current benchmark is based on a submerged land area of 1,109 square feet, which is in turn based on the 36-foot average berth length derived from the current survey. The 1992 benchmark was based on a 30-foot average berth and a submerged land area of 792 square feet².

² It is not known how the 792 square foot figure was calculated. It is not in the tables in the Department of Boating and Waterways publication, which have remained unchanged since 1980. That publication indicates that the submerged land area needed to accommodate a typical 30-foot berth, with a double berth layout and an even mix of power and sailboats, would be about 824 square feet.

MARINA SURVEY
SF Bay Area

No.	Name	Address	City	County	Total Berths	Occupancy Rate	Occupied Berths	Average Length	Average Rate
South San Francisco Bay									
1	Redwood Landing Marina	455 Seaport Court	Redwood City	San Mateo	37	85%	31	31	\$6.75
2	Port of Redwood City Marina	451 Seaport Court	Redwood City	San Mateo	158	85%	134	33	\$6.85
3	Brisbane Marina	400 Sierra Point Parkway	Brisbane	San Mateo	580	90%	522	40	\$6.19
4	Pete's Harbor	1 Uccelli Boulevard	Redwood City	San Mateo	220	79%	174	38	\$7.25
5	Bair Island Marina	702 Bair Island Road	Redwood City	San Mateo	95	100%	95	34	\$7.00
	Averages					87.8%		35	\$6.81
San Francisco Bay									
6	San Francisco Marina	3950 Scott Street	San Francisco	San Francisco	671	85%	570	36	\$9.17
7	Pier 39 Marina	Pier 39	San Francisco	San Francisco	281	85%	239	47	\$10.55
8	South Beach Harbor	Pier 40 The Embarcadero	San Francisco	San Francisco	685	100%	685	38	\$9.26
9	Treasure Island Marina	#1 First Street at Clipper Cove Way	San Francisco	San Francisco	104	90%	94	32	\$9.53
	Averages					90.0%		38	\$9.63
East San Francisco Bay									
10	Jack London Marina	54 Jack London Square	Oakland	Alameda	162	50%	81	37	\$8.36
11	Marina Village Yacht Harbor	1030 Marina Village Parkway	Alameda	Alameda	674	95%	640	37	\$10.00
12	Fifth Avenue Marina	One Fifth Avenue	Oakland	Alameda	94	80%	75	35	\$6.50
13	Ballena Isle Marina	1150 Ballena Boulevard	Alameda	Alameda	511	50%	256	38	\$11.10
14	Grand Marina	2099 Grand Street	Alameda	Alameda	400	93%	372	36	\$8.00
15	Alameda Marina	1815 Clement Avenue	Alameda	Alameda	530	90%	477	32	\$8.00
16	Fortman Marina	1535 Buena Vista Avenue	Alameda	Alameda	497	95%	472	36	\$8.00
	Averages					79.0%		36	\$8.57
Marin County									
17	Richardson Bay Marina	100 Gate Six Road	Sausalito	Marin	220	95%	209	31	\$11.00
18	Marina Plaza Harbor	2330 Marinship Way	Sausalito	Marin	103	90%	93	34	\$13.00
19	Clipper Yacht Harbor	310 Harbor Drive	Sausalito	Marin	700	90%	630	33	\$10.00
20	Libertyship Marina	41 Libertyship Way	Sausalito	Marin	53	90%	48	49	\$10.00
	Averages					91.3%		37	\$11.00
San Pablo Bay									
21	Point San Pablo Yacht Harbor	1900 Western Drive	Richmond	Contra Costa	210	50%	105	42	\$5.80
22	Emeryville Marina	3310 Powell Street	Emeryville	Alameda	435	96%	418	40	\$10.00
23	Emery Cove Yacht Harbor	3300 Powell Street	Emeryville	Alameda	430	95%	409	40	\$9.50
24	Brickyard Cove Marina	1220 Brickyard Cove Road	Richmond	Contra Costa	250	94%	235	32	\$7.75
25	Berkeley Marina	201 University Avenue	Berkeley	Alameda	1,200	95%	1,140	40	\$9.76
26	Marina Bay Yacht Harbor	1340 Marina Way South	Richmond	Contra Costa	850	64%	544	32	\$9.00
27	Benicia Marina	266 East B Street	Benicia	Solano	300	75%	225	36	\$10.01
28	Glen Cove Marina	2000 Glen Cove Marina Road	Vallejo	Solano	213	70%	149	34	\$9.00
29	Vallejo Municipal Marina	42 Harbor Way	Vallejo	Solano	450	50%	225	34	\$7.50
30	Port Sonoma Marina	270 Sears Point Road	Petaluma	Sonoma	282	28%	80	25	\$5.50
31	Lowrie Yacht Harbor	40 Point San Pedro Road	San Rafael	Marin	100	90%	90	38	\$6.50
32	Loch Lomond Marina	100 Loch Lomond Drive	San Rafael	Marin	512	80%	410	31	\$9.00
33	Petaluma Marina	781 Baywood Drive	Petaluma	Sonoma	167	60%	100	35	\$5.50
	Averages					72.8%		35	\$8.06
Overall Averages						80.7%		36	\$8.53

San Francisco Benchmark Map



August 2011

This map is for reference purposes only and gives the approximate location covered by the San Francisco Benchmark.

Bugsch, Brian@SLC

From: Brian Bugsch
Sent: Thursday, August 11, 2011 4:17 PM
To: LMD
Cc: Curtis Fossum
Subject: SF Benchmark Update
Attachments: San Francisco Benchmark - Final - 0811.pdf

The San Francisco Benchmark has been updated. I have attached it here and it is available on the G Drive (G:Appraisal/Benchmark Appraisals/San Francisco Benchmark).

Brian

Brian Bugsch
Chief, Land Management Division
California State Lands Commission
(916) 574-1833
brian.bugsch@slc.ca.gov

CALIFORNIA STATE LANDS COMMISSION

200 Oceangate, 12th Floor
Long Beach, CA 90802-4331

**CURTIS L. FOSSUM, Executive Officer**

(916) 574-1800 FAX (916) 574-1810

California Relay Service from TDD Phone 1-800-735-2929
from Voice Phone 1-800-735-2922

Contact Phone: (560) 590-5306

Contact FAX: (562) 590-5210

September 28, 2011

Mr. Curtis P. Henderson, Bureau Manager
Long Beach Gas and Oil Department
2400 East Spring Street
Long Beach, CA 90806

Dear Curtis:

The Bureau of State Audits recently completed a review of the State Lands Commission's policies and practices regarding the management of our leases and our business decisions since the last audit (encompassing some 20 or so years). They made many recommendations, the implementation of which the staff has either started working on, or is in the process of developing an action plan to address.

One recommendation of the report is that staff periodically analyze whether taking oil in kind would be more profitable than selling it through the operators. The auditors understood, for the most part, our concerns and reasons for ceasing to sell-off our royalty oil in 2007. That decision, based on an analysis done from 2002-2005 and the lack of responsible bidders, has been reviewed as to our non-Long Beach leases. Given that the circumstances surrounding that prior decision have not changed, and in some cases have actually gotten worse, our opinion for the Huntington Beach leases or our Santa Barbara leases has not changed at this time.

We are writing to request that the City, as our Trustee, review the option of selling off our share of the Long Beach oil (as we have in the past, the latest contract ending in 2007). We would appreciate your attention to this matter so we can give our management, and the Commissioners, a complete picture of the opportunity, or lack thereof, to restart a sell-off program for the State's share of the oil from our leases and Long Beach.

If you have any questions, please do not hesitate to call me (562-590-5306, planckj@slc.ca.gov). Thank you for your time and attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Planck", is written over a circular embossed seal. The signature is fluid and cursive.

Jeff Planck
Chief, Planning and Development

Exhibit K

bcc: Greg Scott
Marina Voskanian
Shahed Meshkati

Exhibit K

Brown, Dave@SLC

From: Brown, Dave@SLC
Sent: Friday, October 21, 2011 7:50 AM
To: Brown, Dave@SLC
Subject: FW: 12 1/2

From: Curtis Henderson [Curtis.Henderson@longbeach.gov]
Sent: Monday, October 17, 2011 10:28 AM
To: Planck, Jeff@SLC
Subject: 12 1/2

Is this close to what you are seeking?

In 1965, the City of Long Beach (City) entered into an Contractors' Agreement with Texaco, Humble, Unocal, Mobil and Shell, (referred to collectively as the Field Contractor) for the day-to-day operations of the Long Beach Unit (LBU). The agent for the Field Contractor operated (and still operates) under the name of THUMS Long Beach Company (THUMS). The Contractors' Agreement provides for allocation of oil production from LBU Tract No. 1 of 80 % to the Field Contractor and 20 percent to the non-operating contractors. The Field Contractor was obligated, through the City to sell off 12 ½ % of its 80% of the Tract 1 oil in a separate transaction.

In 1965, when the LBU began oil production, the price of oil was considerably lower than what we have experienced over the last few years, though prices have fluctuated considerably. Additionally, bonuses paid above the posted prices have increased through the years and have averaged over \$1 per barrel the last ten years (please refer to the City of Long Beach report regarding article 9 (b) and (c) of the Contractors' Agreement performed by Edward White and Associates, Exhibit B 1.3).

When Chapter 941, Statutes of 1991 was passed, it did allow, at the State's discretion, for the Contractor to take control of the 12 ½% sell off.

The City did urge the State Lands Commission staff to halt the practice of the selloff of the 12 ½ % due to the low bonus amounts experienced prior to 2005, and especially in the 2005 contract with Paramount Petroleum. At the time in 2005, the 12 ½% selloff only achieved a \$.279 bonus on the 5.5% and a \$.378 bonus on the 7%. Conversely, the City was achieving a bonus on four other oil selloff contracts at or in excess of \$1.28 per barrel. The difference between the selloff contracts was the City had a contractor who could market the oil quickly, thereby taking advantage at the best timing to offer the oil for sale. The 12 ½% selloff is constrained by Chapter 138 to be bid out and cannot be offered to a marketer. Also, the process of the SLC directing the City to conduct a bid, the City following the process and approval of bidding, awarding and approval of such by the Long Beach City Council and State Lands Commission is a long process involving approximately 18 months to complete. Refineries will not risk offering a competitive bonus on oil that they will not see for over a year after bidding due to the uncertainty in oil prices and most especially the 12 ½% involves significantly smaller volumes of oil each year. A low bonus on the 12 ½% selloff will also affect the adjusted price of oil as determined in Article 9 and ultimately decrease net profits to the State

The City as Trustee for the State of California for its interests in the Long Beach tidelands, recommends that the State Lands Commission not reestablish the process of the selloff of the 12 ½% of the 80% of Tract 1 oil, but allow the Contractor to continue to have control of the oil.

Cindy Cano

From: Brian Bugsch
Sent: Thursday, May 26, 2011 9:43 AM
To: LMD
Cc: Dave Brown; Curtis Fossum
Subject: Update to 60.10 package process for updating ALID

Staff,

As you all know, after Commission meetings, 60.10s on items heard at the meeting should be processed in a timely manner. If a negotiator anticipates there will be a significant delay in getting all the information necessary to complete the 60.10 package (lessee not responsive, not signing necessary documents, not submitting insurance and bond information, etc.), they should submit a draft blue 60.10 sheet to Lori Pett in Title to allow ALID to be updated.

To date that process has been a bit subjective, but we are now formalizing that process to give negotiators a clearer understanding and to ensure that all calendar items are updated in ALID in a timely manner. Below is the new process for 60.10s beginning with those items heard at the June 23, 2011 meeting.

Thirty days after a Commission meeting, clerical will take an inventory of all calendar items for their team to determine the status of the 60.10 package. Clerical staff will make a list of those calendar items where the 60.10 package has not made it to the team manager. Negotiators will then be contacted. At the 30-day mark, if a negotiator determines that a 60.10 package will not be completed and submitted to the team manager within 30 days (60 days from the Commission meeting), then the negotiator will complete a draft blue 60.10 sheet and submit that to Lori Pett in title to allow ALID to be updated with the appropriate information. The draft 60.10 sheet shall be a copy of the blue sheet with all known information filled in (which allows Lori to update ALID). On the copy, those items not filled in should be circled with a short explanations (i.e. waiting for bond/insurance). If negotiators will be able to complete the 60.10 package within 60 days of the Commission meeting, they will move forward and just complete the 60.10 package.

Sixty days after the Commission meeting, clerical staff will follow up and take a second inventory and make sure all the items at the Commission meeting are either in the 60.10 process (meaning 60.10 packages have been submitted to the team manager) or a draft 60.10 sheet has been submitted to Lori Pett in Title to update ALID.

There are two primary reasons for adding this step to the process: to update ALID as soon as practical to make it a more useful database; and to improve the coordination and consistency between LMD and Accounting with respect to lessee names, billing addresses, and annual rents.

Please feel free to contact Colin or I if you have any questions.

Thanks and keep up the tremendous work.

Brian Bugsch
Chief, Land Management Division
California State Lands Commission
(916) 574-1833
brian.bugsch@slc.ca.gov